S. Hrg. 98-1125

TO ESTABLISH A NATIONAL COMMISSION ON AGRICULTURAL TRADE AND EXPORT POLICY

HEARING

BEFORE THE

COMMITTEE ON GOVERNMENTAL AFFAIRS UNITED STATES SENATE

NINETY-EIGHTH CONGRESS

SECOND SESSION

ON

S.J. Res. 319

TO AMEND THE AGRICULTURE AND FOOD ACT OF 1981 TO PROVIDE FOR THE ESTABLISHMENT OF A COMMISSION TO STUDY AND MAKE RECOMMENDATIONS CONCERNING AGRICULTURE-RELATED TRADE AND EXPORT POLICIES, PROGRAMS, AND PRACTICES OF THE UNITED STATES

AUGUST 3, 1984

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TO ESTABLISH A NATIONAL COMMISSION ON AGRICULTURAL TRADE AND EXPORT POLICY

FRIDAY, AUGUST 3, 1984

U.S. SENATE,
COMMITTEE ON GOVERNMENTAL AFFAIRS,
Washington, DC.

The committee met at 9:35 a.m., in room SD–342, Dirksen Senate Office Building, Hon. Charles H. Percy presiding.

Present: Senator Percy.

Staff present: Michael C. Mitchell, professional staff member, Committee on Governmental Affairs; Galen Reser, legislative assistant for Senator Percy, and Howard Marks, professional staff member, Subcommittee on Energy, Nuclear Proliferation, and Government Processes.

OPENING STATEMENT OF SENATOR PERCY

Senator PERCY. I want to welcome our witnesses this morning as we open this hearing of the Governmental Affairs Committee on Senate Joint Resolution 319, to establish a National Commission on Agricultural Trade and Export Policy.

I want to, at the outset, thank very much Senator Roth, the chairman of our committee, for scheduling this morning's important hearing.

This bill, Senate Joint Resolution 319, to amend the Agricultural and Food Act of 1982 would establish a blue ribbon commission to study and make recommendations regarding U.S. agricultural trade and export policy. I know that many of our witnesses have had very short notice about today's hearing, but still came many miles because of their intense interest in this subject. Senator Roth and I have placed this on a very fast track because of our mutual desire, shared by the agricultural community, to get the bill enacted into law so that the Commission could be organized by this fall. We have a very limited number of days left for legislating this year because of the short legislative period available to us, and we felt it important enough to move this hearing right along so that we could take it up this year and get organized.

We believe such a Commission could provide valuable guidance to the Congress as it begins debate on the 1985 farm bill next spring. Much of the credit for advancing this timely proposal goes to Senator Dole who will be with us shortly to testify.

I spent a great deal of time in Illinois this summer and I have been struck by the abundance of healthy corn and row after row of sprouting soybeans. It looks beautiful in agricultural Illinois. What a sharp contrast to the very dismal drought-stricken situation we had just last year when it was absolutely devastated, and I have never seen fields as in poor condition as they were then. What a wonderful change it has been this year. The first year after PIK, it is good to see farmers doing what they do best, producing crops for food, for fuel, and for exporting.

For the Illinois farmer and processor, exports are critical. As the leading agricultural export State in the Nation, $2.4 billion of annual export sales, 1 out of every 2 farm jobs is dedicated to exports, and 1 out of every 3 acres is used for export crops. That is why, as chairman of the Senate Foreign Relations Committee, I have not only take an active interest in stimulating new export markets for our products, but also in protecting existing markets from unfair trade practices. One of our highest priorities has been to reverse the disastrous effects of the embargo policies of the previous administration.

I am pleased that 54 of my colleagues supported the resolution I introduced in 1983 urging the Reagan administration to negotiate a new long-term agricultural agreement with the Soviet Union. We already know the minimums of 8 million metric tons of corn and wheat have been exceeded by 50 percent the first year of this agreement, and the Soviets already have met their purchase requirement for corn for the second year, beginning this October. This first year, their purchases have exceeded 12.2 million metric tons. Perhaps we could be brought up to date if that figure has altered, since I last saw the figure.

But we have, for those who oppose such a grain agreement—after all, we take grain out of storage, we are going to replace it immediately within a year or so; we get back gold, hard gold, cash on the barrel head. This is tremendously to the advantage of the economy of the United States, our balance of payments and certainly, once again, proves that you shouldn't try to implement foreign policy by on-again-off-again procedures and with agricultural products or manufactured goods. You simply disrupt normal lines; you substitute other competitors; you bring into the market more foreign production. It is a self-defeating proposition.

We have taken that position firmly and strongly, and I am very pleased the administration, even with the shootdown of Korean 007, resisted the temptation and the urgings of many people who said you must cancel the 5-year grain agreement, a grain agreement that we had just struggled to get negotiated and on very, very favorable terms. Not quite as far as the resolution I put in which, after a doubling of the minimums—but we did get a 50-percent increase and the Soviets have already in the first year exceeded those targets.

In Illinois alone, this agreement has meant $600 million annually in additional income for farmers and processors, and with the Soviets exceeding the minimum by the amount, it means even more.

Our second priority is to continue with this administration to resist efforts by the European Economic Community to walk away from our existing trade agreements and limit the sale of U.S. origin corn gluten feed and other high protein animal feed ingredients, worth over $500 million annually to U.S. producers.

Senator Dole, we would be just happy to have you take your seat. I will carry on the filibuster. Now that you are here, I can even shorten it.

Senator DOLE. No, go ahead; sounds good.

Senator PERCY. Those efforts will continue this September in Geneva. Our third priority is to stimulate the introduction of value-added processed products for export in addition to bulk commodities. Trade in these processed products can create thousands of new jobs, and I am encouraged that with the response that we have had already to the urging of Senator Dole and I and others of our colleagues have done in this direction.

Now we turn to Senate Joint Resolution 319. Last Wednesday, the House Agricultural Committee reported out House Joint Resolution 600, the House companion to the proposal we are discussing today. In a nutshell, Senate Joint Resolution 319 calls for the creation of a 35-member public and private sector Commission to study U.S. agricultural trade policies. The Commission would be funded by the private sector with appropriate safeguarding to prevent abuse. I trust the private sector will not have to turn to the Secretary of Agriculture for financial assistance. The Commission would have access to information, personnel, and support services from both executive and independent agencies. It would issue an interim report by March 31, 1985, in timely conformity to our debate on the farm bill, and a final report by July 1, 1986.

This initiative will provide us with a fresh look at policy options which we need to deal effectively with the drop in U.S. export sales.

While the factors which have created this decline—such as the strong dollar—are well understood, some of the proposed remedies have been controversial.

I am especially pleased by the provisions calling for involvement of the private sector in this effort. If the Commission is to be truly effective, it must be prepared to recommend bold steps to regain our share of the world export market.

For instance, if we cannot achieve our objectives through existing international trade organizations, then we must be prepared to move unilaterally, through the use of our enormous economic resources, to let the European Economic Community, Brazil, and others know that we will not permit ourselves to be pushed out of the third-country markets through their use of export subsidies. Study after study indicates that exports create jobs and additional tax revenues. We should take this into account before we dismiss the use of such subsidies.

Other countries know the benefits of exports and so should we. We should also expand Public Law 480, whose 30th anniversary we all celebrated last month, to include more value-added processed products to feed those parts of the world in fish and high protein foods. Above all, we must strive to maintain free trade in agriculture. To do otherwise invites economic disaster and we would be the biggest recipient of that disastrous result as the largest agricultural exporting State in the world.

Nonetheless, countries which treat our exports unfairly should be put on notice that their imports may be subject to the same sort of treatment. Some may not want this Commission to make strong recommendations, yet, in my view, we simply have no choice but to change

our agricultural export policies to meet changing circumstances in a world that no longer adheres to the old rules of the game.

Senator Robert Dole introduced Senate Joint Resolution 319 on June 21, 1984. As chairman of the Finance Committee and a member of the Agricultural Committee, Senator Dole fights daily to improve the position of American farmers and processors. It has been my pleasure to be with him on several battles, such as a new agricultural agreement with the Soviets, development of the fuel ethynol industry and fighting threats from the European Community.

The son of a Kansas grain elevator operator, Bob Dole never hesitates to stand up for the American farmer and processor.

I would like to say I think Senator Dole should have much of the credit for advancing this proposal. Probably Senator Dole has done more than anyone I know of in the Congress to promote and advance the cause of American agriculture. He has taken, again, in this particular instance, the lead, and I commend him for it.

Senator Dole, you are free to summarize any way that you want or give your testimony in full. We look forward to hearing from you and anything that you want will be incorporated in the record without objection.

TESTIMONY OF HON. ROBERT DOLE, U.S. SENATOR FROM THE STATE OF KANSAS

Senator DOLE. Thank you very much, Mr. Chairman. I want to first commend the distinguished chairman of the Committee on Governmental Affairs, Senator Roth, for his willingness to expedite this legislation in a prompt manner. The Commission established under this resolution will be under some tight time constraints—including an initial report in time for hearings on the 1985 farm bill next March. I appreciate this committee's recognition of these factors, and hope we can move through this hearing today so that the bill can be reported and passed before the recess next week.

Second, I would like to commend the Senator from Illinois and the distinguished chairman of the Foreign Relations Committee, Senator Percy, for taking the leadership in organizing this hearing. There are undoubtedly some questions that need to be answered today, and I know the House Agriculture Committee has made several changes in the companion resolution, House Joint Resolution 600, that we may want to look at. Also, I would note that the resolution would name as ex officio members of the Commission the chairman and ranking members of the Finance and Foreign Relations Committees as well as the Agriculture Committee. So it is very appropriate that the Senator from Illinois has made himself available to chair this meeting and I welcome him as a cosponsor of Senate Joint Resoution 319.

Mr. Chairman, I want to keep my comments brief in recognition of the fact that you have a number of witnesses to hear from this morning and we need to make every effort to move this legislation forward as quickly as possible. The rationale for creating a national commission to review U.S. agricultural trade and export programs and policies has been thoroughly discussed in meetings over the past 2 months and in statements which Senators Huddleston, Helms, Dixon, and I made

in the Congressional Record at the time I introduced Senate Joint Resolution 319 on June 21.

I would only reemphasize that, in addition to filling a much-needed purpose, the Commission is important because it would be financed by private sector contributions. During a series of meetings on the structure and responsibilities of the proposed Commission in June, various farm groups and agriculture-related organizations endorsed this nongovernment funding concept as a positive step in building credibility in its eventual recommendations. They also reflect a recognition among an increasing number of farm interests that those of us who believe in and depend on agriculture need to make a contribution if we are to build a more prosperous future.

I understand that the amendment approved by the House Agriculture Committee on Tuesday would make three changes in the resolution's private sector financing provisions. It would limit the size of any individual or corporate contribution to 5 percent of the total fund; it would require appointment of the Commission members before any funds are accepted; and it would provide authority to the Secretary of Agriculture to contribute up to $1 million in CCC funds if the private sector financing is not sufficient for the Commission's operations. I don't have any particular problems with either of the first two points, which serve to reduce any possibility of one firm or individual buying a seat on the Commission. With regard to authorized CCC contributions, I would hope the USDA will make clear to the private sector that it does not intend to make any direct funding for the Commission. The sooner the financing responsibility is back clearly on the private sector's shoulders, the better. So while we can discuss the House amendment more today and later on the Senate floor, I do not see it posing an insurmountable obstacle to passage of Senate Joint Resolution 319.

Finally, let me say that the value and utility of any Commission's findings and recommendations are rarely greater than the political pressures on policymakers at the time they are made. Hopefully, the financial as well as economic interest of all of the agriculture-related industries supporting this initiative will help to keep the pressure on. And hopefully, the Commission will be able to find its way through the existing complexity of U.S. farm trade and export programs and policies to propose some meaningful and long-range suggestions to guide our future direction.

I would like to include a letter from 15 major farm organizations and ag-related groups. Also, a subsequent letter from the National Cotton Council, Central Soya, and Pioneer Hybrid and other companies, who have, since learning about the resolution, indicated their strong support for it.

Senator PERCY. They will be included in the record.[1]

Senator DOLE. Again, I thank you, Senator Percy, and Elizabeth looks forward to her visit to Illinois next week.

Senator PERCY. I look forward to that very much, indeed. We are very happy to have a distinguished member of the President's Cabinet to come to Illinois and we will warmly welcome her.

Senator DOLE. Thank you.

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[1] See p. 9.

Senator PERCY. I am for the Dole-Dole ticket. I have a couple questions I would like to put to you.

There are those who simply say we really don't need this. We all know what the problem is. It is just the hardness of the dollar. All we need to do is just weaken the dollar and that will give us that extra margin that will enable us to be competitive, and that is the real problem, and that is all there is to it.

As chairman of the Finance Committee, one of the most powerful committees in the Senate, you have contributed so much to the work on our economy. We worked very hard on those battles side by side to get that deficit down to stimulate the economy as we have. It has been a miraculous recovery, evidenced by the last 2 days in the stock exchange. Even Wall Street has recognized where we are going and what the future trends are. But what is your comment from the perspective you see it from those who say we have to weaken the dollar and solve all our problems?

Senator DOLE. Obviously, the strength of the dollar has been a problem as far as exports are concerned. That may not be the only problem, but the Commission may find the strength of the dollar is a significant obstacle to expanding exports.

The deficit, in my view, is tied directly to the strength of the dollar. I think those of us who are in Congress have to continue the efforts we have started to reduce the deficit and take some pressure off interest rates which, I think, in turn would demonstrate the strength of the dollar.

The strength of the dollar is a problem for farmers and exporters, but the larger problem is the Federal deficit. There is no doubt in my mind, as I listened this morning in a meeting with some truckers, that the stock market has almost gone wild because of three factors:

First, Paul Volker's statement that we have probably hit the high on interest rates; second, the deficit reduction package which is moving through Congress; and, third, a positive attitude toward the economy itself.

I would hope members of the Commission are going to look for innovative ways to increase our trade with other countries as well.

So this Commission is going to be looking at much more than the strength of the dollar.

Senator PERCY. Last week, before they adopted the resolution overwhelmingly, a few Members of the House said, we don't really need an Export Commission for agricultural products; we already have one; it is called the U.S. Congress. What is your answer to that argument they used in committee?

Senator DOLE. I look upon commissions with a rather skeptical eye. I think over the years there has been a tendency by Congress to appoint a commission instead of addressing a problem, whether it is the Social Security Commission or whatever kind of commission it might be, and then we take refuge in whatever the commission may do. It seems to me this is not just another commission.

The big difference is, this Commission will have private funding. We are going to go after top people in this area and try to enlist the support of the administration, so we have a full-court press on what we need to do to improve farm income through exports.

Again, I am a skeptic about commissions, and I haven't signed on to very many of the opportunities to form more commissions, but it seems to me that a commission with private funding would avoid the criticism that we are simply sweeping another problem under the commission rug.

Senator PERCY. Let's take one Commission, though, that affects more people than any I know that did a better job that we followed through on—the Greenspan Commission on Social Security. That took 26 million people, and I was up against it as a member of the Select Committee on Aging, a committee I get more interested in every year, but as a senior member of that committee, of which I am the longest time member of this committee, Social Security was something that haunted people. It was constantly put to me in every single townmeeting—"Is the system going bankrupt?"

President Reagan appointed a Commission. The Commission went to work. It was an exceptional bipartisan Commission. They gave a report. Congress looked at that report. I think it made possible the passage of legislation that would have been absolutely impossible without it. It refined our work. It was a perfect example how a Commission can supplement and help the work of the Congress and take the time to do things we just don't have the time to do, to reflect and study every aspect of it and give us all the options and alternatives.

Is that a case there that we might take a Commission here, particularly when this Commission doesn't cost the Government anything, and then follow through on one of our major underlying basic industries in this country?

Senator DOLE. I was a member of that Commission. My view for the success of that Commission was that it had strong bipartisan support and then an almost unyielding effort by those who weren't even on the Commission to get us to address a very important problem.

Finally, it came down to the endorsement of the Commission's efforts by the President of the United States and by the Speaker of the House of Representatives. If we can have that same high-level stamp of approval on this Commission, then it can be successful. If we have Tom Foley, Kika de la Garza, and others in the House working with Speaker O'Neill and if we have Ronald Reagan supporting this Commission, then it will succeed and it's final report will mean something.

Senator PERCY. Thank you very much. One last question. Again, as chairman of the Finance Committee, you led the fight to—I tried to be side by side with you—to lower Federal spending and reduction of the deficit. There is growing concern in the agricultural community, however, that unless we begin a serious program to actually match the export subsidies being paid by other producing nations, the U.S. export position would continue to deteriorate. Are the goals of a lower Federal deficit and the growing consensus to match these subsidies actually in conflict?

Senator DOLE. In my view, the best thing we could do for the American farmer is to reduce the deficit and lower interest rates. Interest rates are something farmers not only understand but they deal with on a daily basis. I hope we see some downturn in interest rates.

I am a little wary of export subsidies. It seems to me we have got to be more aggressive but this is a matter the Commission will look at in depth. Export subsidies are rather expensive.

I would hope that we might be more compatible with our trading partners. We might be able to break down some of the artificial barriers established in the European Community, and Japan, for example, that restrict access to their markets and hopefully we can avoid very expensive subsidy programs.

Senator PERCY. I thank you very much, indeed. When I first became chairman of the Foreign Relations Committee, we created a new subcommittee on International Economic Policy. Senator Mathias has done an absolutely able job in chairing that committee. It has focused the attention of the Foreign Relations Committee more than ever in its 200-year history on trade, on exports, on the fact the strength of our foreign policy depends upon the strength of our economy, and that involves export strength.

No industry, no segment of our economy does more to help strengthen our balance of payments than the agricultural community does. Absolutely essential are the agricultural products, in addition to agricultural implements and so forth, which we dominate the world in.

I think this measure is a necessary measure to move forward. I will discuss it with Senator Roth today and see if we can't—there is a difficulty of getting committees together, a quorum—poll out the committee earlier next week, report it to the floor next week some time and then you and I together can talk with Senator Baker, possibly, at our regular Tuesday noon luncheon and see if we can't get a schedule very quickly.

Senator DOLE. We may be getting down to the last few days of the session and with everybody having committee meetings, it is very difficult to get a quorum. Perhaps Senator Roth would permit us to poll the bill out. I am certain you can take care of that for us. Thank you very much.

Senator PERCY. Thank you very much, Senator Dole. We appreciate you being here.

[Information submitted by Senator Dole follows:]

June 21, 1984

Hon. Robert Dole
141 Hart Senate Office Building
Washington, D.C. 20510

Dear Senator Dole:

The agricultural organizations listed below believe that the dire problems faced by U.S. export agriculture today call for creation of a National Commission on Agricultural Trade and Export Policy. Its purpose would be to study and make recommendations to Congress and the Administration on how to best maintain and expand U.S. agricultural exports.

U.S. agricultural exports face severe challenges in the world market today. Expanded foreign production, sold increasingly with the benefit of export subsidies, is taking over many of our traditional markets. Declining purchasing power in otherwise promising new markets inhibits U.S. ability to expand the global market. The world economic downturn and a strong dollar relative to other major currencies also stifle our ability to aggressively sell U.S. products abroad.

U.S. agriculture is export dependent. A 20% drop in farm export earnings over the past two years is a major cause of today's serious economic problems faced by American agriculture. In 1980, the U.S. sold $43.8 billion in agricultural products abroad. By last year, exports had fallen to $34.7 billion. Export volumes have also fallen in similar fashion.

Establishment of a National Commission on Agricultural Trade and Export Policy could be of vital importance to the future well-being of American agriculture. As Congress writes the 1985 Farm Bill, it will set the stage for U.S. agricultural trade and our ability to compete internationally over the next four years and beyond. The findings of this Commission could constitute a valuable resource in development of this important legislation. They could also prove useful in the event the U.S. enters into another round of multilateral negotiations under GATT.

Because of the urgent and serious nature of our export problems, prompt passage of this proposal in Congress is vital for the future prosperity of U.S. agriculture. We stand ready to work with you in this important endeavor.

Sincerely,

American Farm Bureau Federation
American Feed Manufacturers Association
American Soybean Association
Cooperative League of the U.S.A.
Farmland Industries
National Agricultural Chemicals Association
National Association of State Departments of Agriculture
National Association of Wheat Growers
National Cattleman's Association
National Corn Growers Association
National Council of Farmer Cooperatives
National Grange
The Fertilizer Institute
National Milk Producers Federation/National Broiler Council

NATIONAL COTTON COUNCIL OF AMERICA
EXECUTIVE BUILDING 1030 FIFTEENTH STREET N.W. SUITE 70
WASHINGTON, D.C. 20005
TELEPHONE: (202) 833-2943

July 19, 1984

The Honorable Robert Dole
U.S. Senate
Washington, D.C. 20510

Dear Senator Dole:

The National Cotton Council of America has carefully reviewed S.J. Res. 413 which provides for a National Commission on Agricultural Trade and Export Policy. The Council has long supported a high level of multilateral trade, enhanced by government export credit and cooperative foreign market development as means of improving overseas sales. In expectation that the commission formed under this resolution would underscore the importance of agricultural export trade, and possibly provide ideas to increase such exports, we support S.J. Res. 413.

We all recognize that naming a commission to study a problem will not necessarily solve it totally. However, there are good reasons to expect that the "National Commission on Agricultural Trade and Export Policy," comprised of high caliber Congressional leadership and professional experts in the private sector, could have a beneficial and significant impact on the future of U.S. agricultural trade policy.

Just as many other trade organizations have done, the National Cotton Council is currently devoting much of its resources to the study of trade problems. Some of the subjects currently under examination include: (a) the impact of exchange rates on exports, (b) impact of high interest rates, (c) foreign production and trade subsidies, (d) the impact of domestic farm programs on international pricing, (e) U.S. market development programs, (f) effectiveness of export financing under the CCC's GSM 102 and GSM 5 credit programs, (g) other sources of export credit, (h) and foreign economic and demographic trends that will affect U.S. cotton exports.

Establishing a national commission will provide a forum for the various commodity groups and farm policy experts to

exchange information and ideas to address the problems. Hopefully it will also focus national attention on these problems and the various tools of expanding exports.

There is one procedural matter that should be addressed by this legislation. This commission will confront many problems, some that will be controversial and some that the commission members may not unanimously agree on. Therefore, some provision should be made for the commission reports to include dissenting or minority views. In addition, the commission may be able to make some broad policy recommendations applicable to all products, but some recommendations may need to be specific and tailored to fit individual commodities. Provisions should be made for the commission reports to be able to handle these situations.

The effectiveness of this commission will hinge on its ability to communicate its findings to a wide audience. Furthermore, the commission must be able to attract individuals with a wide range of expertise.

Nothing is more important to the strength and well being of the agricultural industry than a sound export policy. Therefore, the Cotton Council supports this legislation subject to the qualifications we have mentioned.

Sincerely,

John S. Barr, III
President

DEERE & COMPANY

JOHN DEERE ROAD, MOLINE, ILLINOIS 61265 U.S.A.

B. C. BARTLETT
Executive Vice President

22 June 1984

The Honorable Robert Dole
United States Senate
Washington D. C. 20510

Dear Senator Dole:

There is increasing discussion about the possibility of enactment yet this year of legislation to establish a national commission to review and make recommendations concerning U. S. agricultural trade and export policies. We would like to strongly urge you to support such a proposal.

In the 1950s, agricultural exports accounted for less than 10 percent of total farm cash receipts. Today, as you know, they represent over 30 percent. Production of one out of every three acres is now destined for foreign markets. We normally export one-fourth of the U. S. corn crop, half of the soybean crop, 60 to 65 percent of the wheat crop, and over 40 percent of cotton and rice crops. In short, farmers and agribusiness, and the employees and communities dependent upon them, now all share a vital stake in maintaining and expanding U. S. agricultural exports.

A national commission would help focus national attention on the economic importance of U. S. agricultural exports. It would also help us to find better ways to utilize the comparative advantage which our country has in the agricultural area. In an increasingly competitive world, such an effort is of growing importance. We, therefore, hope that you act expeditiously in support of a proposal for a national commission of this type.

Sincerely,

B C Bartlett

BCB/s

CENTRAL SOYA Fort Wayne, Indiana 46802

June 20, 1984

The Honorable Robert Dole
United States Senate
SH-141 Hart Senate Office Bldg.
Washington, D. C. 20210

Dear Senator Dole:

There is nearly unanimous agreement in American agribusiness regarding the importance of export programs. There is also nearly unanimous agreement that farm exports have not been given the national priority they deserve and that we have not, to date, developed a consistent, comprehensive agricultural export policy.

To remedy this, we at Central Soya support the establishment of a National Commission on Agricultural Export Policy. Such a National Commission could serve to focus national attention on the issue, bring new ideas to the forefront, help bridge some of the communication barriers to policy formation, and move forward to develop comprehensive recommendations which Congress and the agribusiness community could consider.

I have enclosed a rough draft of one National Commission proposal which has been set forth to accomplish the above objectives. It should be considered a concept paper only. Specific details regarding membership, procedures, etc., would have to be refined by the legislators and their staffs. The final product may differ significantly from the enclosed. We at Central Soya are not committed to any of the specifics of the proposal, but we do agree with Mr. Kenneth Nielsen, President of Farmland Industries, Inc., that the general thrust is on target.

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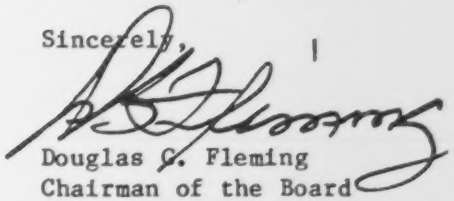
The importance of this matter, in my opinion, merits its consideration and implementation before the Congress recesses its current session.

I recommend the establishment of a National Commission on Agricultural Export Policy and pledge my personal support, as well as the support of our company for such an effort.

Sincerely,



Douglas C. Fleming
Chairman of the Board
and President

THOMAS N. URBAN
CHAIRMAN AND PRESIDENT

June 18, 1984

The Honorable Robert J. Dole
United States Senate
#141, Hart Building
Washington, DC 20510

Dear Senator Dole:

The importance of agricultural exports can hardly be overestimated. They benefit not only the agricultural sector but provide jobs and greatly improve our balance of trade.

I understand that a proposal has been made to establish a National Commission on Agricultural Export Policy. Its goal would be to develop a set of comprehensive recommendations that both the Congress and agricultural community could consider.

We are very supportive of such an idea. We have contributed to the conduct of a study by Dr. Edward Schuh of the University of Minnesota, done for the National Agricultural Forum on this same topic. Rather than making recommendations, it sets out various alternatives and the consequences of each course.

From our contacts with farmers, I believe you would find them quite supportive of a national commission. I realize that because of the recess schedule, it may be difficult to pass legislation at this time authorizing such a group. We believe it is worth a try; if you are not successful in this session, then the matter should be of first priority when the new Congress convenes.

Sincerely,

Thomas N. Urban

hp

Farmers Union Central Exchange, Inc.

Darrell Moseson
President and
Chief Executive Officer

June 25, 1984

Senator Robert Dole
Senate Office Building
Washington, D.C. 20510

Dear Senator:

I understand you are working with Farmland Industries to develop legislation authorizing the establishment of a National Commission on Agricultural Export Policy.

We at CENEX share your belief that the development of a comprehensive and forward-looking policy regarding agricultural exports should be an important national priority. CENEX commends you for your activity and interest regarding this topic, and wishes to add our name to the list of proponents of the commission.

We understand that, because of this year's planned early recess, the passage of this legislation may be difficult. However, CENEX feels that a coordinated, coherent agricultural export policy is crucial to the success and indeed survival of american agriculture. We urge you to work for quick passage.

Thank you again for your past and future efforts on behalf of farmers and our industry. In these troubled agricultural times, we especially appreciate your support.

Sincerely,

Darrell Moseson
President

cc: Ken Nielsen, Farmland President

Elanco Products Company
A Division of Eli Lilly and Company

740 South Alabama Street
Indianapolis, Indiana 46285
Telephone 317 261-5945

Vaughn D. Bryson
President

July 16, 1984

The Honorable Robert J. Dole
United States Senate
Washington, D.C. 20510

Dear Senator Dole:

Farmland Industries, Incorporated recently proposed a Federal review of U.S. agricultural export policies and programs. The objective of this effort would be recommendations for changes which will improve the effectiveness of the government agencies charged with the task of formulating and administering the framework within which our agricultural trade takes place.

You recently introduced a joint resolution, SJR319 (HJR600), which would establish a bipartisan commission to explore the potential for a more coordinated, effective agricultural export policy. We at Elanco support this initiative. We have written the members of the Indiana Congressional delegation outlining our position on the proposed commission.

Again, thank you for your interest in promoting the economic well-being of agriculture.

Sincerely yours,

Vaughn D. Bryson

VDB:mf

Senator PERCY. The next witness is the Honorable Larry Werries, appointed by Governor Thompson to replace Jack Block as the director of the Illinois Department of Agriculture. Mr. Werries is wearing two hats; first as director of the Illinois Department of Agriculture and second as a representative of the National Association of State Departments of Agriculture.

Mr. Werries, you may summarize your testimony. A full text will be included in the hearing record. We are very pleased to have you with us today.

TESTIMONY OF LARRY WERRIES, DIRECTOR, ILLINOIS DEPARTMENT OF AGRICULTURE, REPESENTING THE NATIONAL ASSOCIATION OF STATE DEPARTMENTS OF AGRICULTURE

Mr. WERRIES. Thank you very much. Mr. Chairman, I commend your efforts in addressing this most difficult issue of agricultural exports, and I thank you and I am honored to have been asked to appear before you as director of the Department of Agriculture and, as you mentioned, representing the National Association of State Departments of Agriculture, a very important organization which link a variety of agricultural interests around the country.

As you mentioned, Illinois' tradition is No. 1 in the world of agricultural exports. Studies by the University of Illinois have indicated that at least 40 percent of the Nation's corn exports and approximately 20 percent of the Nation's soybean exports originate in the State of Illinois. The Honorable Senator Dole, whom we have just heard, in his remarks of June 21, when the legislation was introduced, pointed out that a 10- or 20-percent shift in the world demand for U.S. agricultural products can result in a tremendous rise or fall in the prices our farmers receive for their hard work. Nowhere is that more apparent than in Illinois where agriculture is the major industry, directly generated fully 25 percent of the jobs and where our farmers are so dependent on exports.

Mr. Chairman, as the Honorable Senior Senator from Illinois, I know from your work you recognize the importance of exports. You are to be commended for your efforts in working to have the Soviet grain embargo lifted and for your continued role in support of agriculture export programs. Just recently, I participated with you on a program commemorating the 30th anniversary of the Food for Peace Program.

Also an Illinois Senator, the Honorable Alan Dixon cosponsored the legislation we are considering today and has also been supportive in this arena through his support of such issues as the ban on embargoes and resolutions addressing such issues as proposed limits of corn gluten exports to the European Economic Community, an issue so important in Illinois.

The agriculture industry is indebted to these men for their work. I mentioned in the case of both, their work in relation to removing the ill-advised Soviet grain embargo and their following strides of supporting legislation which will hopefully prevent the reoccurrence of such a move.

Secretary Block, speaking earlier this week in Indianapolis before the National Corn Growers Association said, "We cannot quickly escape the legacy of the past." We are still suffering from the impact of the 1980 embargo. It is a startling reminder to us of the grave effect of a disjointed trade policy. There is no question of the need to address the issue of agricultural trade in a more complete manner, and I believe the formation of a National Commission on Agricultural Trade and Export Policy will provide a means for doing just that.

I concur with the intent of this legislation which calls for strong participation by the private sector where there is an abundant resource of knowledge housed within the corporate structure of private industry. The incentive to bring that knowledge forward for use is greatest when those companies have the potential of reaping benefits from the use of that knowledge. They have a stake in this. I also applaud the fact that this Commission as it is proposed would be self-sustaining and should be able to provide unbiased information to you, Mr. Chairman.

I do believe that we are not seeking preferential treatment for our industry over another in proposing support for the formation of this Commission. Instead, I think it should be regarded as a move to seek equal treatment. Too often, decisions on international policy are handed down without first consideration being given to potential devastating implications for agriculture. Our farmers have been the most efficient and most productive of any in the world. Much of the past governmental policy has rewarded those accomplishments by taking away the benefits, in some cases thinking that farmers had an economic margin which would allow them to endure. That is not the case today.

Attaining profitability in agriculture today is very difficult and, in some cases, impossible. Excessively high interest rates fueled by an intolerable Federal deficit have taken away a major portion of the farmers' potential for profit. It is my opinion that a constitutional amendment is needed to balance the Federal budget, thus bringing down interest rates and moderating the strength of the dollar which has also served to damage our export shares.

There are numerous agricultural trade issues before us today. Next week, at the request of the Honorable Senator Dixon, Senator Boschwitz will chair a hearing on Canadian pork imports. We already cited some other concerns with the European Economic Community. We have seen some progress with Japan and there is still more work needed in order to obtain fair access to that market. Just a few days ago, the Soviet Trade Representative to the United States, Albert Melnikov, while speaking before the same groups of corn growers as Secretary Block, proposed ideas that would result in greater interaction of agricultural trade between the two superpowers.

Interaction is a key to exports regardless of the parties involved. In that respect, I would highly recommend to you that if this Commission becomes a reality, strong consideration be given to implementing high tech as a priority. Timely and accurate exchange of information is very important in securing markets. I applaud the efforts of the U.S. Foreign Agricultural Service. They are attempting to implement a new program of information exchange between potential foreign buyers and States.

We have made tremendous use in recent years of export credits. Like Senator Dole, I do not necessarily advocate an expansion of this program because it is my feeling it is near its full potential. However, I strongly suggest it not be reduced. I see the work of this Commission as also including the maintenance of those programs which we have already found to be successful. Export credit is one of those programs.

Other burning issues at home, such as cargo preference legislation are tremendously important because of their potential for influencing agriculture exports. While there might appear to be some advantage to such legislation for the maritime industry, there is the bitter reality of serious consequences for other industries, including agriculture. There is no end to the obvious needs of such a Commission as we are discussing today.

I would propose, as Senator Dole has already done, for the increased export on what we call value-added products. Very important to Illinois companies. Statistics indicate 35,000 new jobs are created for every additional $1 billion in exports. That number of jobs created could be higher if a larger percentage of our exports were finished products or value-added products.

I am also appearing on behalf of NASDA. I have a letter from the executive director, J.B. Grant, of that organization which is included in the record, which I will submit for the record.[1] The letter states in part:

> After an unprecendented growth of farm export in the 1970's, exports peaked at a record $43.8 billion in fiscal year 1981. During the 1970's the volume of U.S. farm exports rose from 60 million tons to 164 million tons, an increase of 270 percent. During the same period, the value of a farm exports increased nearly six times. The low value of the dollar made our farm goods very attractive. However, the situation has changed drastically since fiscal year 1982 when exports dropped to $39.09 billion. We are now faced with a high-priced dollar, export subsidies from several nations, improved economic strength of our trading partners and various other problems. NASDA is very concerned with the downturn in our farm exports and believes a national commission to study this situation is an approach that should be undertaken.

In summary, I heartily support the formation of a National Commission on Agricultural Trade and Export Policy. I think participation of the private sector is tremendously positive. I would only add I would encourage the membership on that Commission to include representatives of the National Association of State Departments of Agriculture. Throughout the years, this organization has demonstrated itself to be a bipartisan group. It has the ability, more than any other, to represent the entire agriculture industry.

That concludes my testimony. I thank you for hearing me.

Senator PERCY. Thank you very much, indeed, Secretary Werries.

I notice Senator Helms has joined us this morning. I give you the choice, Senator Helms, to join me here for a few minutes or I know Secretary Werries, if your schedule would allow, we will be happy for you to give your statement right now, whichever you prefer.

Senator HELMS. Thank you very much. Hello, Mr. Secretary.

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[1] See p. 36.

Senator PERCY. We are very pleased to have not only the distinguished chairman of the Finance Committee, who has just completed his testimony, but we have my colleague on the Foreign Relations Committee and the distinguished chairman of the Agricultural Committee, which is one of the most powerful committees in the Senate. Certainly, it is a committee that enables you year after year to do a tremendous amount for North Carolina and for all the farmers' basic industry of this country.

When I just think what we have done in agriculture, 150, 200 years ago, 90 percent of us were engaged in agriculture in this country, and we had to import food to feed ourselves. Today, probably less than 4 percent or about 4 percent engage in agriculture, and we export more than the rest of the world combined. It is just an unbelievable level of productivity, and if treated fairly, we are able to compete anyplace in the world, and that is not possible in manufactured goods, services, and a lot of other things, but the productivity of the American farmer has been the wonder of the world and working together as we have, all of us, we are going to save a half a million lives in Africa alone this year with our Public Law 480 program.

I was very pleased last week to be at the Illinois Agricultural Association headquarters, Farm Bureau headquarters in Bloomington, which Julie Bloch, a former member of my staff on the Committee on Hunger and Human Needs who is now the chief of the Public Law 480 Program, to work with her in commemorating the 30th anniversary of that concept Food for Peace Public Law 480 Program conceived by Dwight D. Eisenhower, a man who had vision and courage and today is reaching out all over the world with this program to assist and help people in a way that is the wonder of the world. No nation on Earth has ever done this in history, and this is now our 30th year of that program.

Certainly, the Agricultural Committee and what you have done is a tremendous influence in stability of the world, of humanity. It is reaching out with compassion and understanding, but also using what we can do best, produce food and fibers and doing it in a way that we think is consistent with our free enterprise system, the family farm is the backbone of it and working together, as we did, to form the inheritance laws so that out of $600,000 exclusion—and you backed solidly the amendment I put in to get $60,000 to $175,000 and put the bill in for $600,000 inclusion. That is now law. No tax between spouses; now a North Carolina or an Illinois farm family can pass that farm on to the spouse, or small business on to the spouse, or family estate and no tax of any kind. A spouse is a full partner, and then with a gift tax over tripled, that means $40,000 could be given each year just with a little note of that family farm to a married couple, son-in-law, daughter, whatever it may be.

Never will a North Carolinian or Illinois farm ever be lost because of Federal taxation. Up to 99 percent of American families have been excluded forever from that. We have worked side by side on that one.

So Finance, Foreign Relations, Agriculture—I really enjoyed working with you very much. Senator Helms, we are very pleased to have your testimony.

TESTIMONY OF HON. JESSE HELMS, U.S. SENATOR, FROM THE STATE OF NORTH CAROLINA

Senator HELMS. I thank you very much. As you were speaking, I was hoping the local papers would copy that in North Carolina and Illinois. You have stated a great deal of information which a great many people don't know in terms of what has been done and what is being attempted.

Senator PERCY. Well, they do know now as a result of commercials we are running in Illinois. My opponent voted against the inheritance tax changes.

Senator HELMS. The local papers will——

Senator PERCY [interposing]. I would mention politics, of course, in this. If it helps me, I would strike it from the record.

Senator HELMS. I suggest you leave it in the record. I am obliged to live by what we have done.

Mr. Chairman, if it would be your pleasure, let me summarize my statement.

Senator PERCY. That will be fine. The full statement will be incorporated in the record.

Senator HELMS. I think it was Henry VIII who told his fourth wife, "I won't keep you long."

Mr. Chairman, I do commend you for scheduling and conducting this hearing and for providing me an opportunity to be here. It is fun to sit by you in the Foreign Relations Committee and it is fun to sit facing you here.

As you know, Mr. Chairman, the United States is the world's leader in agricultural trade. You just alluded to that in your fine comments. Our farmers supply 80 percent of the soybeans, 60 percent of the feed grains, 40 percent of wheat and cotton, and 20 percent of tobacco and rice moving into world trade.

American agriculture is organized to operate in a world market, and the health of our farm economy is very much dependent on our ability to export farm products. Currently, more than one-quarter of U.S. farm income is derived from exports and about 2 out of every 5 acres of cropland in this country are devoted to export.

Exports account for more than 60 percent of our wheat production, nearly one-half of our soybean and rice production, more than one-half of our cotton production, and about a third of our corn production. These are statistics that are well known to you.

Promoting farm exports is not just an agricultural issue; it is a national issue of concern to all Americans. The more aware Americans can be made of the world trade situation and the competition and, I must say candidly, Mr. Chairman, unfair competition, the better understanding that we all have, the more likely we will be to solve the problems in an amicable way with our trading partners.

Farm exports are the largest single positive force in our balance of payments. Every $1 billion of last year's 35 billion dollars' worth of farm export earnings generated 30,000 jobs in the private sector, a total of over 1 million jobs for people other than farmers.

Truly, agricultural trade is an opportunity for our country that is an essential key to our continued economic growth and prosperity.

Mr. Chairman, although U.S. agricultural exports are expected to increase this year to $38 billion from last year's $35 billion, they will likely fall short of the record $43.8 billion set back in 1981.

There are a variety of reasons for the decline in exports, including the world recession; weak foreign currencies; massive debt of many potential importers; favorable weather conditions worldwide, leading to enormous productions; residual effects of President Carter's grain embargo; production incentives to farmers worldwide, and export subsidies employed by competitor nations.

Mr. Chairman, let me digress just for a moment. Last year, the President asked me to go to Geneva for the General Agreement on Tariffs and Trade, the GATT ministerial. It was Thanksgiving week. I didn't particularly want to leave my family, but I am glad I went. And the message that I was asked to take, and I took it as effectively as I could, was that we believe in free trade, but it is not free trade if it not fair trade.

A close examination must be made of the predatory practices of some of our trading partners. We don't want to get into a trade war, but I think all of us in Congress have an incumbent duty to do everything possible to make world trade fair for our producers, especially our farmers.

In my prepared remarks, I outline some of the various recent congressional and administrative actions aimed at expending our agriculture exports. However, despite these actions, there is a realization that more is needed to promote exports and convince competitor nations who utilize predatory subsidies of the seriousness with which we deem their unfair trade practices.

A long-term agricultural policy holds much promise for promoting these goals. Such a policy, by indicating the importance placed by our Government on farm trade, would help restore confidence in America as a reliable supplier of agricultural commodities and that is so vastly important, as the distinguished chairman knows.

In addition, a sustained long-term policy to give U.S. negotiators the tools they need to bring an end to predatory export subsidies is just absolutely essential.

The coordination of domestic and export policies in farm legislation is another key to promoting farm exports. This would help remedy the situation where these policies sometimes seem to work at cross-purposes.

Moreover, Mr. Chairman, this Senator is convinced that we must demonstrate to our competitors that we are unwilling to yield our interest to international agricultural trade. We cannot and will not remove ourselves from world markets. Everybody on this planet will prosper from free and open trade, but for that to happen, I say again, the trade, in order to be free trade, must be fair trade.

At a time when we need to continue to expand our efforts in agricultural trade, Senate Joint Resolution 319 will establish a mechanism by which various trade experts representing a variety of interests can get together for developing recommendations for an effective trade strategy.

Also, the Commission can provide us with guidance for the comprehensive strategies we so sorely need to coordinate our domestic and export foreign policies. In other words, Mr. Chairman, Senate Joint Resolution 319 is timely legislation which I hope this distinguished committee can approve quickly.

I thank you very much for the privilege of coming here this morning.

Senator PERCY. I want to thank you very much. I know that you have to get over to the floor and if Secretary Werries does not mind, I have a couple quick questions before you leave.

We have both fought and you have led the fight against the threat of European Economic Community trade restrictions. I have had to say there has to be retaliation. The French continue to lead this effort. We have California wines and soft cheeses. Wisconsin makes a very good soft cheese. If they want a trade war, we are going to have to get into it, but we will be the most reluctant persons to encourage that. We will do everything we can to get them to see the light.

You have stood side by side with me. You called on Ministers of Trade, met with them, talked with them, and we have defeated every attempt that has been made to actually embargo or put tariffs that would be prohibitive, but they still have a long ways to go.

Are we making progress in getting our point across to the European Economic Community that we can't bear the defense of the world and then have a balance of payments deficit such as we have and then have them subsidize the very customers we so traditionally have had, those we helped with Public Law 480 but now that their economies are continuing to improve through the years and get stronger, and become self-sufficient, are we getting our point across that they can't undercut us in Europe and expect us to just stand here idly and do nothing about it?

Senator HELMS. Mr. Chairman. I think we are making progress. At least the situation is far better than it was when I became actively engaged in the process. For example, at Geneva in late 1982, it was difficult at first even to get the European Community representatives to listen. But I began making a point that their right to swing their subsidy fist ends at Uncle Sam's nose, just as you have so eloquently said.

If they persist in the sort of trade practices which utilize inordinate trade subsidies, that I might add are a matter of record, then it is incumbent upon us as Members of Congress to do everything we can.

The administration is working very diligently on this. For example, we have a real textiles import problem. Foreign textiles are manufactured with slave-labor wages. This is a hard nut to crack, but the administration has met with me, the President and I have discussed it face to face, nose to nose, I guess, six or eight times, and he is aware of the problem and sympathetic with the problem.

So I think we are, to answer your question, making some progress, and I hope we can accelerate it, and I think this legislation will be greatly beneficial in that regard.

Senator PERCY. Let me ask just one last question, Senator Helms, because you are here not only as a leading fiscal conservative, but also representing a major poultry-producing State. Our poultry exports have lost major markets in the Middle East because of subsidies paid by the European Community and by Brazil. Do you believe that the Commission we are proposing to establish should examine the possible

benefits of matching the subsidies being paid for by other poultry-producing countries, as has been suggested by some people?

Senator HELMS. Well, Mr. Chairman, I think it is important to bear in mind that our goal is not to make export subsidies a permanent fixture in U.S. agricultural policy. It goes back to your philosophy and mine, whether you are liberal or conservative or in between, we all believe in the free enterprise system and competition, but the point is, what kind of competition?

What we need to do is to get the predatory traders to the bargaining table. I don't know if it is going to take matching subsidies to get them negotiating to open up world markets and make trade more free and fair. I guess that remains to be seen, but the more signals we can send, such as the distinguished chairman, and others, have done so effectively, the more signals we can send to them that we are not going to accept unfair trade, and we are not going to stand for it, the better off we can be.

I will say this further, Mr. Chairman, if I read the mood of the Senate correctly, a vast majority of Senators are in favor of doing whatever is necessary to bring this situation under control. It is important to remember that when subsidizing nations steal our markets—and that may be a little bit on the harsh side in terms of rhetoric, but they are stealing them—and when they do steal them, they are costing our economy, in terms of jobs and all the rest of the things that are necessary to keep a stable economy.

For value added products, such as poultry, 1 billion dollars' worth of exports mean roughly 35,000 to 45,000 private industry jobs.

So we will just have to see, Mr. Chairman, and do the best we can. And I think we are doing very well.

Senator PERCY. Thank you. Just as you leave, I would like to just mention that I used to love to spend every summer on the poultry farm; get up as early as I could, get those eggs, bring them in, so forth. But I am not a farm boy. My wife's family, Loraine, has had a farm in Illinois since 1841 when her family came by covered wagon to Illinois in 1841, purchased land for $1 an acre. Would you believe that land has almost doubled since then in value?

Senator HELMS. I believe it.

Senator PERCY. Knowing I needed help, we managed two farms together in 34 years, but I needed help in agriculture to educate me as someone who has grown up in the urban areas. We are in our second decade now of agricultural advisory boards. I can well remember when that board one day when we had price controls on fertilizer, they said there may be price controls, but you can't buy fertilizer. They are all exporting it. We had gone into the free market and destroyed the free market, and they are all exporting because there are no price controls abroad. What good does it do; we can't get fertilizers.

I remember I picked up the phone in the middle of that meeting and called the Secretary of Agriculture, a distinguished Indianian at that time, and told him about the problem. By midnight that night, they had made the decision; we decontrolled fertilizer and inside of a month, it was readily available all over the United States.

You cannot do it any better than to adhere to the free-market policy, and we do not want to become a protectionist country. I am resisting every effort to become protectionist. We simply cannot sit

here and take the subsidies that destroy markets abroad and do nothing about it.

So this Commission is urgent, and I value your support, Senator Helms, very much, indeed. We thank you for being here.

Senator HELMS. Mr. Chairman, I thank you. We don't have a Chicago in North Carolina, but we do have substantial farm constituencies with similar problems and similar goals. I want to say for the record that the distinguished chairman of this committee is forever diligent in contacting me about the farm problem in his State. But Senator Percy has one added advantage—the incumbent Secretary of Agriculture happens to be from Illinois, and he was in our State this week, and he made a fine impression.

Mr. Chairman, I commend you, again, for holding this hearing.

Senator PERCY. I appreciate you taking the time to be with us, and we will move this legislation right along. We expect it would be, hopefully, on the floor next week.

Senator HELMS. If I can be helpful in that connection in any way, you let me know. Thank you very much. Thank you, Mr. Secretary.

[Senator Helms' prepared statement follows:]

PREPARED STATEMENT OF SENATOR JESSE HELMS

I commend the Chairman for conducting today's hearing and thank him for providing me with the opportunity to share my views on this legislation with the Committee.

As the Chairman well knows, the United States is the world's leader in agricultural trade. Our farmers supply 80 percent of the soybeans, 60 percent of the feed grains, 40 percent of the wheat and cotton, and 20 percent of the tobacco and rice moving in world trade.

American Agriculture is organized to operate in a world market, and the health of our farm economy is very much dependent on our ability to export farm products. Currently, more than one quarter of U.S. farm income is derived from exports, and about two of every five acres of crop land in this country is devoted to exports.

Exports account for more than 60 percent of our wheat production, nearly one half of our soybean and rice production, more than one half of our cotton production, and about a third of our corn production.

Promoting farm exports is not just an agriculture issue; it is a national issue of concern to all Americans. Farm exports are the largest single positive force in our balance of payments.

Every $1 billion of last year's $35 billion of farm exports earnings generated 30,000 jobs in the private sector—a total of 1.05 million jobs for persons other than farmers. Truly, agricultural trade is an opportunity for America that is an essential key to our continued economic growth and prosperity.

Although U.S. agricultural exports are expected to increase this year to $38 billion from last year's $35 billion, they will likely fall short of the record $43.8 billion set in 1981.

There are a variety of reasons for the decline in exports including the world recession, weak foreign currencies, massive debt of many potential importers, favorable weather conditions worldwide, residual effects of the President Carter's grain embargo, production incentives to farmers worldwide and export subsidies employed by competitor nations.

A number of important steps have been taken in the past few years in order to effectively retain America's role in international trade and increase farm exports.

Much has been done to restore the confidence in America's reliability as a supplier which appeared so badly shaken just a few years back. The grain embargo was lifted and a new, long term grain agreement was signed. Included in the Futures Trading Act was a contract sanctity provision and the Administration also issued the "Reagan Doctrine on Agricultural Trade".

Under the Reagan doctrine, it is stated that it is the policy of the United States that no restrictions on commercial agricultural exports will be imposed because

of rising domestic prices or for foreign policy purposes except in the most extreme situation and even then, agriculture will not be singled out as it has been in the past.

Other measures have been taken to challenge unfair trade practices abroad. The President—and his entire team—have spoken out forcefully and repeatedly against these unfair foreign trade practices. The administration is using the GATT to challenge the unfair practices of Japan and the European Economic Community, for example.

The use of funds for the direct promotion of U.S. farm exports aimed at meeting unfair competition head-to-head began with the "Helms Amendment Fund" included in the 1982 Reconciliation Act. Specifically, this mandated the allocation of $175–$190 million for export promotion.

On October 20, 1982, Secretary Block announced that he would use part of this authority in a "blended credit" program. Under this program, $100 million in interest-free direct credits were blended with $400 million of CCC credit guarantees of private lender financing at market interest rates. The total package provided interest rates at levels competitive with subsidizing countries.

By the end of the first year, all the funds had been allocated to eight countries to finance the purchase of 2.5 million tons of U.S. corn, wheat, soybean meal, vegetable oil, and cotton. Since its inception, the blended credit program has provided for the financing for a total of more than 7 million tons of 15 different U.S. commodities, resulting in more than $1 billion in additional sales.

Furthermore, the Reagan administration has allocated more funds to credit guarantees under the GSM–102 program in the past 2 years than at any time in the history of market development—a total of almost $9 billion, which is two-fifths of the total USDA funding for market development since 1954.

Guarantees under this program were allocated to provide for the financing of about 23 million tons of U.S. agricultural exports last fiscal year, and further guarantees have been made available as of early this year to finance shipments totaling about 19 million tons.

In addition, on January 17, 1983, Egypt signed an agreement with the United States to buy 1 million metric tons of U.S. wheat flour over the following 12 to 14 months. The USDA provided enough CCC-owned wheat to enable U.S. suppliers to sell and deliver wheat flour at the agreed upon price of $155 per metric ton. Credit guarantees were also used. This action utilized surplus U.S. wheat to meet the competition from subsidized French wheat flour sales to Egypt.

Despite these congressional and administrative actions, there is a realization that more is needed to promote exports and convince competitor nations who utilize predatory subsidies of the seriousness with which we deem their unfair policies.

A long-term agricultural trade policy holds much promise for promoting these goals. Such a policy, by indicating the importance placed by our government on farm trade, would help restore confidence in America as a reliable supplier of agricultural commodities. In addition, a sustained, long term policy to give U.S. negotiators the tools they need to bring an end to predatory export subsidies is essential.

We must demonstrate to our competitors that we are unwilling to yield our interest in international agricultural trade. We cannot and will not remove ourselves from world markets. Everyone on this planet will prosper from free and open trade. But for that to happen, trade must be fair, as well.

The coordination of domestic and export programs in farm legislation is another key to promoting farm exports. It now seems sometimes as though these programs work at cross-purposes.

It is apparent that some of our domestic farm programs influence our competitors' production decisions for certain commodities. As a result, loan levels above market clearing prices in the United States may bring about increased production in competitor nations which ends up displacing U.S. sales on the world market.

An example of how this can happen is seen in international wheat trade. From 1981 to 1983, U.S. farm policy reduced acreage by nearly a fourth in an effort to enhance U.S. farm prices. At the same time, our major competitors expanded their acreage by eight percent. And we can all recall that Canada, which has steadily expanded their wheat production, openly expressed their displeasure when we lowered the wheat loan rate for the 1984 crop.

At a time when we need to continue to expand our efforts in agricultural trade, S.J. Res. 319 will establish a mechanism by which various trade experts, representing a variety of interests, can get together to develop recommendations for

an effective trade strategy. Also, the Commission can provide us with guidance for the comprehensive strategies we need to coordinate our domestic and export farm policies. S.J. Res. 319 is timely legislation which I hope the Committee can approve quickly.

Senator PERCY. Secretary Werries, you mentioned you support a constitutional amendment to balance the budget. I agree with that. It is a signal what we can do; more than 40 States have. We have proven in the Federal system that that works. It does set a discipline we need for us that we need both in the executive branch and in the Congress.

I would like to ask you, because we do have a line item detail in Illinois, whether you would also support, as some 40-other States do, whether you would support the President being given authority for the line-item veto?

Mr. WERRIES. Absolutely, Mr. Chairman. The States have faced very tough fiscal times in the last couple of years, just like the Federal Government has. Those two issues, the fact that most State constitutions require a balanced budget being submitted and governors having line-item veto authority, allowing them to take agency budgets and administer them by hopefully equitable percentages has allowed most States to come through those tight fiscal situations.

For example, Illinois now has a fiscal situation in the State government that has turned around. We are in relatively good shape. Those two situations, I think, have helped.

Senator PERCY. I am supporting that and working with Senator Mattingly who is taking the lead. Your testimony on that is very helpful to us.

As the number one agricultural exporting State in the Nation, we in Illinois must continue to work to try to maintain our overseas markets. One out of two farmers in Illinois depend on those overseas markets. Your department maintains offices in Brussels, where your representative has gained quite a reputation for European agricultural affairs, an outstanding reputation.

Based on reports you have received from him and your own knowledge, what more can we do to stimulate agricultural exports to Europe and third-market countries?

Mr. WERRIES. We talk a lot about the difficulties of a strong dollar and all the various issues that limit our ability to export, but when Secretary Block was in my position and he traveled early on in his administration to the ANUGA Food Show in Cologne, West Germany, he noticed that the U.S. pavillion at the largest of all food shows was relative to some very small countries and was not very impressive. Four years later when I traveled to the same food show and Secretary Block was in Washington then, I noticed the same thing.

I think we can be more aggressive in participation in international food shows, for example. I don't think we are necessarily good marketers all the time. I know farmers are often accused of that. We are fairly good producers, but we don't always do a good job of marketing.

The establishment of a Commission drawing on the expertise of people who make a living doing this will be beneficial certainly to Congress and, hopefully, to the administration.

Senator PERCY. Could you comment on value-added processed product for sale overseas? Some say other countries are not interested in

buying these products because they want to keep the processing jobs, of course, at home.

What more can we do to stimulate purchase of value-added products overseas?

Mr. WERRIES. It is a matter of salesmanship. I have also traveled to China. We hope, even at the State level, to be aggressive in establishing increased economic contact with the People's Republic of China. While in China, you notice that the nation of Japan is very aggressive in also pursuing the same kinds of market. They do an excellent job of marketing. They know how to do it. They have an established presence there, and they are out-marketing us. I think we need to be better salesmen.

Senator PERCY. As we did celebrate last week the 30th anniversary celebration. We have achieved a major victory recently by allowing more Public Law 480 commodities to move through the Great Lakes and permitting more of it moving on foreign ships. Do you have recommendations on the cargo preference legislation, the fact this effectively reduces the amount of commodities that can be shipped?

Mr. WERRIES. It is a difficult issue. It puts one industry against another, like that has been mentioned by the distinguished Senators who testified, when we protect one industry to the exclusion of the other, often agriculture seems to come up with the short end of the stick here.

Cargo preference is an issue—many view it as to protect the Nation's maritime industry, particularly the privately owned fleet. Often when we require certain percentages of commodities be exported on those fleets, which are noncompetitive in the world market, when it comes to price per ton of product moved, the burden is borne on the back of the American farmers. Even the Great Lakes shipping is probably part of that problem. But the fact we are the No. 1 exporting State doesn't happen by accident. We work very hard at it. We also happen to be blessed with the fish and water transportation system. We have the Great Lakes avenue—Illinois, Ohio, and Mississippi River systems.

I would urge Congress to be watchful that the cargo preference issue doesn't circumvent agricultural issues.

Senator PERCY. I thank you very much for your testimony.

Thank you very much. We appreciate. I would like to shake hands with you before you leave.

[The prepared statement of Mr. Werries, with attachment, follows:]

Larry A. Werries, Director
Illinois Department of Agriculture
Testimony Presented Before The U. S. Senate Committee
On Governmental Affairs
Room 342, Dirksen Office Building
August 3, 1984

Mr. Chairman. . .distinguished members of the Senate Committee on Governmental Affairs. . .I commend your efforts in addressing this very difficult issue of agriculture exports and I thank you for allowing me to appear before you today as Director of the Department of Agriculture in Illinois. . .the state widely recognized as the number one agricultural exporting state. I also appear before you today on behalf of the National Association of State Departments of Agriculture, a very important organization which links the variety of agriculture interests from throughout the country.

Studies have shown approximately 40 percent of the nations' corn exports and approximately 20 percent of the nations' soybean exports originate in Illinois. The Honorable Senator Dole, in his remarks of June 21, when the legislation we are considering today was introduced, pointed out the dependence of the U. S. on exports when he indicated "a 10 or 20 percent shift in world demand for U. S. agricultural products can result in a tremendous rise or fall in the prices our farmers receive for their hard work." Nowhere is that more apparent than in Illinois where agriculture is the major industry, directly generating fully 25 percent of the jobs and where our farmers are so dependent on exports.

Mr. Chairman, as the Honorable Senior Senator from Illinois, I know from your work that you recognize the importance of exports. You are to be commended for your efforts in working to have the Soviet Grain embargo lifted and

for your continued role in support of agriculture export programs. Just recently, I participated with you on a program commemorating the 30th anniversary of the Food for Peace Program.

Also an Illinois Senator, the Honorable Alan Dixon, a co-sponsor of the legislation we are considering today, has also been supportive in this arena through his support of such issues as the ban on embargoes and resolutions addressing such issues as proposed limits of corn gluten exports to the European Economic Community.

The agriculture industry is indebted to these men for their work. I mentioned in the case of both, their work in relation to removing the ill-advised Soviet Grain Embargo and their following strides of supporting legislation which will hopefully prevent the reoccurrence of such a move.

Secretary of Agriculture John Block, in addressing a meeting of corn growers this week, said "we cannot quickly escape the legacy of the past." We are still suffering from the impact of the 1980 embargo. It is a startling reminder to us of the grave affects of a disjointed trade policy. There is no question of the need to address the issue of agricultural trade in a more complete manner and I think the formation of a National Commission on Agricultural Trade and Export Policy will provide a means of doing that.

I concur with the intent of this legislation which calls for strong participation by the private sector. There is an abundant resource of knowledge housed within the corporate structure of private industry. The incentive to bring that knowledge forward for use is greatest when those companies have the

before the same groups of corn growers as Secretary Block, proposed ideas that would result in greater interaction of agricultural trade between the two superpowers.

Interaction is a key to exports regardless of the parties involved. In that respect, I would highly recommend to you that if this commission becomes a reality, strong consideration be given to implementing high tech as a priority. Timely and accurate exchange of information is very important in securing markets. I applaud the efforts of USDA's Foreign Agricultural Service in which they are attempting to set up a network for exchange of trade information from around the world. I think the United States should do everything to insure that we are on the leading edge of such a movement.

We have made tremendous use in recent years of export credits. I do not necessarily advocate an expansion of this program because it is my feeling that it is near full potential. However, I would strongly suggest it not be reduced. I see the work of this commission as also including the maintenance of those programs which we have already found to be successful. Export credit is one of those programs.

Issues at home such as the Cargo Preference legislation, are tremendously important because of their potential for influencing agriculture exports. While there might appear to be some advantage to such legislation for the maritime industry, there is the bitter reality of serious consequences for other industries including agriculture. There is no end to the obvious needs for such a commission as we are discussing today.

potential of reaping benefits from the use of that knowledge. I also applaud the fact that this commission as it is proposed would be self sustaining and should be able to provide unbiased information to you Mr. Chairman.

First of all, let me say that I do not believe we are seeking preferential treatment for one industry over another in proposing support for the formation of this commission. Instead, I think it should be regarded as a move to seek equal treatment. Too often, decisions on International Policy are handed down without the first consideration being given to potential devastating implications for agriculture. Our farmers have been the most efficient and most productive of any in the world. Much of the past governmental policy has rewarded those accomplishments by taking away the benefits, in some cases thinking that farmers had an economic margin which would allow them to endure. That is not the case today. Attaining profitability in agriculture today is very difficult and in some cases, impossible. Excessively high interest rates fueled by an intolerable federal deficit have taken away a major portion of the farmers' potential for profit. It is my opinion that a Constitutional Amendment is needed to balance the federal budget, thus bringing down interest rates and moderating the strength of the dollar which has also served to damage our export shares.

There are numerous agricultural trade issues before us today. Next week, at the request of the Honorable Senator Dixon, Senator Boshwitz will chair a hearing on Canadian Pork imports. I have already cited some of the concerns with the EEC. We have seen progress in Japan, but there is still more work needed in order to attain fair access to that market. Just a few days ago, the Soviet Trade Representative to the U. S., Albert Nelnikov, while speaking

In addition, I would propose the increased export of what we call value-added products to be an objective of study for this commission. Statistics indicate 35,000 new jobs are created for every additional 1 billion dollars in exports. That number of jobs created could be higher if a larger percentage of our exports were finished products, thus providing new jobs through processing.

Mr. Chairman, I mentioned in my opening remarks that I am also appearing today on behalf of the National Association of State Departments of Agriculture. I have a letter from the Executive Director of that organization addressed to you Mr. Chairman, which I have submitted for the record and would like to extract a portion of that now.

The letter states, "After an unprecedented growth of farm export in the 1970's, exports peaked at a record 43.8 billion dollars in fiscal year 1981. During the 70's, the volume of U. S. farm exports rose from 60 million tons to 164 million tons, an increase of 270 percent. During the same period, the value of farm exports increased nearly six times. The low value of the dollar made our farm goods very attractive. However, the situation has changed drastically since fiscal year 1982 when exports dropped to 39.09 billion dollars. We are now faced with a high-priced dollar, export subsidies from several nations, improved economic strength of our trading partners and various other problems. NASDA is very concerned with the downturn in our farm exports and believes a national commission to study this situation is an approach that should be undertaken."

In summary, I heartily support the formation of a National Commission on Agriculture Trade and Export Policy. As I previously mentioned, I think the participation of the private sector is a tremendously positive aspect. I would only add to that by encouraging every effort of compliance with Section 1222 of this legislation which deals with administration. We are all painfully aware of the need for cooperation on the part of those governmental bodies which must provide valuable information in order for such a commission to be successful. I would encourage strongly that measures be taken to insure such cooperation is provided. In addition, I would urge representation on the commission by the National Association of State Departments of Agriculture. Through the years, this organization has demonstrated itself to be a bi-partisan group that has the ability, more than any other, to represent the entire agriculture industry.

Mr. Chairman, this concludes my testimony. I thank you and the distinguished members of this committee for the opportunity to address these very important issues.

The National Association of State Departments of Agriculture

1616 H Street, N.W. • Washington, D.C. 20006 • (202) 628-1566
James B. Grant, *Executive Secretary*
Robert Amato, *Assistant Executive Secretary*
Gordon C. Miller, *Administrative Assistant*

August 1, 1984

The Honorable Charles H. Percy
Chairman
Subcommittee on Energy, Nuclear Proliferation
and Government Processes
Committee on Governmental Affairs
United States Senate
Washington, D. C. 20510

Dear Senator Percy:

The National Association of State Departments of Agriculture commends you for holding hearings on S.J. Res. 319, legislation to establish a National Commission on Agricultural Trade and Export Policy. NASDA fully supports this legislation.

NASDA believes the establishment of a privately funded national commission would bring us fresh ideas that might solve some of our export problems. In addition, we believe the commission should be able to examine export incentives and market development programs and make recommendations on how they can be made more effective.

Today, NASDA works closely with the U. S. Department of Agriculture's Foreign Agricultural Service in the promotion of U.S. products through our bi-annual NASDA Food and Agriculture Exposition. Held in Atlanta in 1983, this trade show produced $193 million in sales from foreign countries. Nearly 1,000 buyers from 76 countries throughout the world attended this exhibition. We are planning to have our second show April 22-24, 1985, in Kansas City, Missouri. In addition, NASDA has four regional export trade associations which work with the Foreign Agricultural Service as market development cooperators. Their offices are located in Chicago, IL, New Orleans, LA, New York, NY, and Vancouver, WA. Regional staff members spend considerable time traveling throughout the world promoting farm goods raised from their section of the country.

After an unprecedented growth of farm exports in the 1970s, these exports peaked at a record $43.8 billion in fiscal year 1981. During the 70s, the volume of U.S. farm exports rose from 60 million tons to 164 million tons, an increase of 270 percent. During the same period, the value of farm exports increased nearly six times. The low value of the dollar made our farm goods very attractive.

However, the situation has changed drastically since fiscal year 1982 when exports dropped to $39.09 billion. In fiscal year 1983, exports plunged more than $4 billion to $34.78 billion. We are now faced with a high-priced dollar, export subsidies from several nations, improved economic strength of our trading partners and various other problems.

NASDA is very concerned with the downturn in our farm exports and believes a national commission to study this situation is an approach that should be undertaken. We feel that consumers, farmers and all taxpayers would benefit from work performed by this specialized commission. We therefore urge passage of the legislation.

Yours very truly,

J B Grant

James B. Grant

Senator PERCY. We now have a distinguished panel. John White, president of the Illinois Agricultural Association, representing the American Farm Bureau Federation; and Gary Myers, president of the Fertilizer Institute of Washington, DC.

Gentlemen, we very much welcome your presence. John White will be our first witness; president of the Illinois Farm Bureau who is also representing the American Farm Bureau Federation. Mr. Werries is a member of his board of directors.

John White and his son Joe operate a 915-acre grain farm near Elburn in Kane County. He was elected Illinois Farm Bureau president in December 1983. He and his wife, Mary Lou, have five children and traveled on several long foreign missions, and is quite familiar with the international agricultural trade.

We are delighted to have you here, as the other witnesses. You can summarize it if you would like and your full text will be included in the hearing record.

TESTIMONY OF JOHN WHITE, JR., PRESIDENT, ILLINOIS AGRICULTURAL ASSOCIATION, REPRESENTING THE AMERICAN FARM BUREAU FEDERATION; AND GARY D. MYERS, PRESIDENT, FERTILIZER INSTITUTE

Mr. WHITE. Thank you, Senator. It is, indeed, a pleasure to come and testify this morning on this National Commission on Exports. When this bill was introduced, Farm Bureau was among the agricultural organizations to lend support, and we continue to support this effort.

U.S. agricultural exports made solid gains during the late 1960's and the decade of the 1970's, but, however, during the 1980's, our exports have fallen sharply from a value of nearly $44 billion to an estimated $38 billion this year.

More importantly, the U.S. share of the total world agricultural trade has dropped substantially.

U.S. farmers are concerned over such a turn of events. Economists list many causes, such as strength of the dollar as inflation remains under control to some extent in the United States; world recession; global debt situation; growing protectionism; unfair trade practices; and U.S. agricultural price-support policies. Undoubtedly, there are a number of other contributing factors, some of which we already heard mentioned here today.

So we support U.S. trade negotiators in their efforts to resolve trade issues with our trading partners. Farm Bureau supported the Tokyo rounds of GATT and subsequent implementing legislation. We recognize that higher living standards depend upon increased economic growth in the United States and the EEC together with mutually beneficial trade among nations. Thus, Farm Bureau supports efforts toward freer trade, but it is becoming more difficult for U.S. farmers to maintain a freer trade stance as protectionism surfaces all over the world.

With the exception of wheat, our grain and cotton stocks were substantially reduced by the PIK Program, but our competitors continue to have severe agricultural oversupply problems also. For example, we have seen projections by the EEC Commission that point to a further

increase in their surpluses. Our grains, from 9 million metric tons in 1983–84 to 23 million in 1990; milk, from 15 to 34 million tons; and meat, from 600,000 to 2½ million tons in that same period.

The EEC is now a major net exporter of grains, sugar, dairy products, poultry, and beef, assisted by huge export subsidy programs.

How do we resolve these excess market-supply problems without both the United States and the EEC engaging in a trade war to gain market outlets? How do we gain better access to markets in Japan and the EEC where protected home markets are integral parts of public policies,

U.S. farmers are tired of taking most of the world's agricultural production adjustments and serving in the role of residual supplier.

U.S. farmers are demanding more aggressive export actions while pushing for a reform of U.S. farm program pricing and stock policies. Hopefully, future U.S. farm policy will reduce the role of Government in providing a price umbrella for our competitors, while U.S. farmers carry the stocks and reduce production and U.S. taxpayers foot the bill.

U.S. farm program expenditures are primarily designed to reduce output, but those of the EEC are largely incentives to increase output and dispose of excess production in the world markets through subsidized exports.

Some U.S. farmers are urging their Government to meet the use of foreign export subsidies and subsidized export financing with similar U.S. programs. Thus far, Farm Bureau has supported only limited use of such subsidies to let our competitors know that we can play that game, too. However, we see retaliatory pressure building as U.S. market share is perceived to be lost to subsidized exports of competing countries. The situation is not healthy in either economic or political terms.

The U.S. Congress has taken note of this capture of markets by use of export subsidies, with section 1201 of the Agricultural Food Act of 1981, which directed the Secretary of Agriculture to formulate a special standby export subsidy program for possible use to neutralize the efforts of foreign countries who capture markets with such subsidies. This authority, however, has been used very little.

We have supported legislation to freeze U.S. target prices and lower support levels in order to reduce a production of surplus farm crops and dairy products and to increase market utilization.

Mr. Chairman, last week, I returned from a trip to four EEC countries with 13 State Farm Bureau presidents to discuss trade issues with European farm organizations and EEC officials. Our group returned very concerned by the prospect of continued subsidized competition from the EEC and with the efforts of the Community to become more self-reliant in agricultural production.

The EEC, in accordance with figures supplied to us by the German Ministry of Agriculture is now more than self-sufficient in a number of products as the following figures would indicate:

Wheat, for instance, they are now 123 percent of self-sufficiency; sugar, 15 percent; wine, 122 percent; whole milk, 123 percent; butter 151 percent; nonfat dry milk, 131 percent; beef and veal, 104 percent; and pork at 102 percent.

U.S. farmers are concerned that the EEC has notified the GATT of its intention to partially suspend under article 28 the duty-free binding granted on corn gluten feed. We are also concerned when we hear rumblings that the duty-free binding on soybeans may be challenged at some future time.

Our farmers have been told that the United States made valuable trade concessions to the EEC during previous rounds of GATT negotiations and, in effect, these concessions paid for these zero bindings. Efforts to undo duty-free bindings puts a great deal of stress on United States/EEC trading relations.

Farm Bureau has opposed domestic content legislation which would restrict auto imports and the Wine Equity Act which would have tampered with the U.S. wine tariff. We told the EEC officials that if restrictions are placed on corn gluten imports and/or soybean products, there will be increased pressure in the United States for counteractions on wine or other imports from the EEC. This would not be in the best longrun economic interests of either trading partner.

Farm Bureau supports the suggestion made at the recent summit meeting in London for a new round of multilateral trade negotiations.

And so these are some of our concerns expressed to the Europeans on trading issues that have brought our trading relationship under stress. Satisfactory resolution of these problems is necessary to prevent harm brought on by protectionist legislation or retaliatory actions against longstanding friends and trading partners.

Our organization has also been concerned with the need for better access to the Japanese market for certain agricultural products. While we were pleased that Japan increased the beef and citrus quotas after long and tough negotiations, they need to go much further in increasing access to their market, but I think it is rather ironic they lifted the quotas on the citrus when we had a severe freeze in our citrus belt here in the States this past winter.

Developing countries suffering financial and economic problems are for increased U.S. farm exports. Presently, developing countries take about one-third of our exports. As their economies grow, we will have more market opportunity. Therefore, we need to do what we can to help develop their economies through food and economic assistance programs, and we certainly endorse your comment made earlier here relevant to the whole activity of Public Law 480, the results we have had through that program.

Mr. Chairman, there is no shortage of problems facing agricultural exports. We are hopeful that this proposed commission might examine some of our trading problems and offer suggestions and recommendations that might help resolve the trade issues which are currently of such great importance to American farmers and ranchers. New ideas are needed to cope with complex international problems.

So it would be easy to be cynical about another commission, but if this Commission is viewed as a search for ideas, then certainly it merits the support of all farm groups who are concerned with the present agricultural export situation.

So in closing, Mr. Chairman, Farm Bureau is certainly pleased to support Senate Joint Resolution 319, and we appreciate this opportunity to express our views. Thank you very much.

Senator PERCY. Thank you very much, Mr. White. We are happy to have now Gary Myers, president of the Fertilizer Institute. It is nice having two presidents, by the way, right in front of us.

Gary Myers was born and raised on a large grain farm in central Illinois and is a graduate of Bradley University in Peoria; former director of member services for the National Fertilizer Solutions Association in Peoria.

You, also, may summarize your testimony, if you wish, and your entire testimony will be incorporated in the record.

Mr. MYERS. Thank you, Senator, I also have with me today two other statements which I would like to enter into the record, strong statements of support for the resolution from the National Association of Wheat Growers and also Farmland Industries, which you know has extensive operations in the State of Illinois. So I will enter these in the record, please.

I am here today, Mr. Chairman, because of my concern about the impact which declining exports are having on the health of American agriculture. At a time when American agricultural productivity is the envy of the world, there is something very wrong with our farm programs that build even higher carryover stocks while our international competitors take larger and larger shares of the world grain markets.

In 1983, the Fertilizer Institute joined other farm organizations in support of the PIK Program, a dramatic attempt to ease these heavy burdens of surpluses. PIK, as you know, had a severe impact on our businesses. Our retailers, caught by surprise with burdensome inventories, suddenly faced the largest annual drop in fertilizer use in history. Many of our retailing members went out of business and were forced into bankruptcy.

Fertilizer producers reeled under a 23-percent drop in their sales over a 2-year period, which caused many layoffs and put many companies out of business. In all, PIK cost our industry somewhere in excess of $2 billion. As a result, the first time in our Association's 100-year history, we are now getting involved in farm policy.

You may ask why we have not been in the past. We always felt that farm issues were something farmers should speak up on, but we feel now with the farmer's shrinking voting block and strength, we can bring support to fine organizations such as the Farm Bureau. We now will become involved.

However, many of our members are small businessmen. Their customer is the American farmer. In the fertilizer business, we must develop a marketing plan. We see no reason why American agriculture should not also develop a marketing plan.

The Institute strongly endorses the creation of a National Commission on Agricultural Trade and Export Policy. It is an important step toward identifying and establishing a data base on which to develop a marketing plan for agriculture. It is a step toward recognizing the total agricultural market, preserving that market and, more importantly, expanding that market.

We presently have a patchwork quilt of Federal agricultural export programs, many of which show signs of good manufacture. Some critics, however, look at the notion of appointing a commission to

study that diverse mosaic of programs as a futile venture. Such pessimism must be avoided because the stakes are far too high for all of us.

Four consecutive years of declining farm exports and a steady ebbing of America's share of the international marketplace spell severe financial hardship for many farmers and for those of us who supply them. We see these difficulties regularly at the local level in our business—the young innovative farmers who fail because they were not fortunate enough to inherit low-cost land; the second- and third-generation farmers whose equity base is slowly sliding toward the edge of abyss; the local independent or co-op fertilizer dealer who can no longer afford to keep his doors open.

Mr. Chairman, one of our major retailers from Colfax, WA, testified last week on the House side in support of this resolution. I would like to give you one example of a story he told.

In Washington, the soft white wheat belt, declining export market share has already left a carryover of 166 million bushels, equivalent to 1 year's bumper crop for the State, and a further rise of 29 percent is predicted next time around. Last year, all elevators were filled to the rafters and one firm piled over 5 million additional bushels on the ground near the edge of town. Half of this pile, now badly damaged by spoilage, still remains, and more wheat is being added every day as we prepare for another harvest. How big will the surpluses be next fall?

We believe that a sounder policy can be developed and better decisions can be made, but we need the facts.

Therefore, the Institute supports creation now, immediately, of a National Commission on Agricultural Trade and Export Policy to build a foundation for more productive and better coordinated future programs.

We, in the fertilizer business, must constantly seek new ways to make American agriculture stronger and more viable.

The fertilizer industry, like many others today, is willing to commit its time and resources to ensure the success of this Commission. We urge your strong support and immediate action. Thank you.

Senator PERCY. Thank you very much, indeed. They are very, very helpful statements.

John, in your statement, you say the Farm Bureau has supported only limited use of export subsidies, but you see the retaliatory pressure building, and so do I, to match these subsidies as we use more overseas markets because of their use against us. A two-part question.

First, let's go back into the history of the farm bill and its position on export subsidies, how it has evolved through the years. I recall at one time the Farm Bureau was against paying export subsidies of any kind. Second, if we do remove the additional export subsidies based on the recommendations of your commission, how can we convince the American taxpayers these outlays are worth their cost?

Mr. WHITE. I think we would like to start first on some background. As you rightly indicate, some of the opposition we have expressed in the past in the form of export credit subsidies, perhaps I would hope to leave the message that our recent support in the form of import/export funding credits is an effort to build the market and establish the market in the first place, and then let the marketplace carry its own weight.

Certainly, we have always long supported efforts, such as Public Law 480, where we have gone into developing countries on food programs feeling if we can improve the general economic well-being of the people in those countries, starting with their diet, that they would then become customers of the United States and buy the products that we have to export.

I think all in all, as we looked at the whole trading programs around the world, all of us recognize that to get into an outright trading war would certainly not be beneficial to any of us. However, I feel that, using the Egyptian wheat deal as an example, it certainly serves warning on others that we could get into that battle if they persist in some of the activities that they presently are carrying on.

Senator PERCY. Thank you. As you know, I have been fighting for years against the threat of the European Community to break its trading agreement with the United States on the import corn gluten feed. Most of it, of course, comes from Illinois. Despite our protests and threats of retaliation, the Community seems to be determined to break this agreement. If they do impose a quota levy on corn gluten feed in violation of this agreement, what do you believe we should do?

Mr. WHITE. Let me make a comment first. I think we need to recognize up front the Europeans are only buying corn gluten feed at the present because it is a good buy for them. We need not forget that ever, it seems to me.

While they are concerned at the present time that corn gluten perhaps is replacing some of the course grains they are producing in Europe, their buyers are buying corn gluten in replace of it. I think we have to maintain a very tough stance in these discussions that might be forthcoming relevant to lifting the zero binding on corn gluten or limits on corn gluten and certainly zero binding on soybeans.

As I indicated in my comment, we feel we have paid for those zero bindings through recent negotiations, and we ought not to give that up. We need to support our negotiators to the limit in that effort and sustain those positions.

Senator PERCY. We did miss you on July 20.

Mr. WHITE. I am sorry I wasn't there.

Senator PERCY. I do want you to know how much we appreciated using your headquarters in Boomington to celebrate—Julie Bloch, program director, from Washington, and a whole group. It was a good event. Thank you for hosting it.

What changes in the Public Law 480 program do you think this Commission should consider?

Mr. WHITE. I think just to continue the efforts we have seen Public Law 480 accomplish in the past is very vital. You mentioned earlier some of the African nations, efforts of the like of Public Law 480 in a country like that.

As I traveled to India in 1978, Public Law 480 has been a vital tool in that nation for millions of people. I think as we see that country recover and now become a viable country in and of itself, we need more of that around the world. If we are going to trade with countries, they are going to need currency, they are going to need economies within those countries to be a trading partner. We can't always be the giver and not expect to develop a economic base there to begin with.

I think we need to continue that wherever we can see need for it throughout the world.

Senator PERCY. I can assure you I will call on the ministers in Europe to certainly put them on notice as to what action there may be and what kind of policies they may be precipitating if they do not respond favorably.

Gary Myers, you mentioned in your statement there is a degree of pessimism about what action this Commission could recommend that may be different from what is already known about possible remedies. Ultimately, it seems to me, what may be most important is whether the agricultural community does support any strong recommendations that may come out of the Commission? Do you believe the community has the resolve to take the risk that may be inherent in supporting any policy changes that may be recommended?

Mr. MYERS. I certainly do, both in economic means and also as working in supporting a Commission through providing extra white papers, experts, et cetera, from our industries.

To go back to what Senator Dole said about 15 or 20 agricultural associations, with which both of our groups are signing on, I think there is a strong commitment there. In fact, we have discussed money, as far as private funding, and we are very enthused. We think everyone realizes the potential opportunities and is willing to put the money up front, both from a fiscal dollar standpoint as well as in-kind contributions, as I said earlier.

Senator PERCY. Thank you. I wonder if you could refresh my memory on what then happened; how fast after we made this call to the Secretary of Agriculture from Illinois and pointed out to him the shocking situation we were facing, what lessons did we learn from the attempt to control prices in the domestic market, and what then happens in the market which flows to other markets where the prices are not controlled and in the end, what good does it do to have a temporary control price and not have supply? Do you care to comment on that policy just to see not only embargoes and sanctions are put behind us together, forget trying to implement foreign policy that way, how about domestic price controls?

Mr. MYERS. I think your example earlier on the fertilizer situation, of which I happened to be representing Washington at the time, is an excellent example.

In our own Government policy, we ought to use the example of pushing down on a soft balloon that pops up in other places we had not thought about. That is what happens when we ignore the market side of the situation. We think that is probably true in a lot of activities we have in agriculture today.

We would like to see some new thoughts and new ideas. It is just ludicrous to start the farm bill discussions again, going to both extremes; one, get the Government out of agriculture; the other extreme, take land out of production—this sort of thing. We would like to see if we can get some new ideas on the table and see if we can develop new thoughts along that line. We are encouraged and would like to see immediate action.

Senator PERCY. I thank you, and I am sure Earl Butz must not have ever wanted to see this happen. It was imposed. As soon as he had a crystal-clear example of the adverse impact it was having on the farmer, he made a very swift decision. I commend him for that.

The last question I would like to put to you, some have said that there is a private sector contribution that when we have private sector contributions to the Commission that contributors may attempt to unduly influence the work of the Commission to make certain that its industry is protected.

How would you go about answering those charges?

Mr. MYERS. I think the rules for who is nominated—when they are nominated—are pretty clear. The fact the Commission will be named before the funds are raised probably has a lot to do with keeping people from buying a seat and buying influence on the Commission. We think the draftsmen of this piece of legislation have done a fine job in protecting against this type of thing, and we are very encouraged.

Senator PERCY. I want to thank both of you very much, indeed, for your very valuable contribution to this hearing. We appreciate it very much, indeed. Best wishes to you both.

If we could, I would like to shake hands and say goodby to both of you.

[Mr. Myers' prepared statement, with attachments, follows:]

Testimony of
Gary D. Myers
President
The Fertilizer Institute
before the
Senate Committee on Governmental
Affairs

The National Commission on
Agricultural Trade and Export Policy
S. J. Res. 319
August 3, 1984

The Fertilizer Institute
1015 18th Street, N.W., Washington, D. C. 20036
202-861-4900 Telex 89-2699

Mr. Chairman, my name is Gary Myers and I appear here today on behalf of The Fertilizer Institute (TFI), a voluntary, non-profit trade association whose members represent 95 percent of the domestic fertilizer production in the United States. The Institute represents over 320 member companies including producers, manufacturers, traders, and retail dealers. Our members are a vital link in the American agricultural food chain.

I am here today, Mr. Chairman, because of my deep concern about the impact that declining exports are having on the health of American agriculture. At a time when American agricultural productivity is the envy of the world, there is something very wrong with farm programs that build ever bigger carryover stocks while our international competitors take larger and larger shares of the world grain market.

In 1983, The Fertilizer Institute joined other farm organizations in supporting the Payment-in-Kind Program (PIK), a dramatic, last ditch attempt to ease the crop surpluses that have weighed so heavily on the farmers we serve. PIK had a brutal impact on our businesses. Fertilizer retailers, caught by surprise with burdensome inventories, suddenly faced the largest annual drop in fertilizer use in history. Many of our retailing members could not weather the storm and forced sales and bankruptcies were not uncommon.

Fertilizer producers reeled under a 23 percent sales drop over two years which resulted in numerous plant closings and employee layoffs, the likes of which had not been seen in our industry since the Great Depression. In all, PIK is estimated to have cost the fertilizer business over $2 billion. Such record breaking losses sent shock waves through every agribusiness industry. From seeds to equipment, from fuel to fertilizer, the far reaching implications of government decisions had "hit home" -- and the cry for action was great.

As a result, for the first time in its 100 year history, TFI decided to get directly involved in the formulation of agricultural policy. The Institute formed an agricultural policy committee, selecting from among its membership a cross section of fertilizer producers, retail dealers, manufacturers, cooperatives and many others. Recently, we hammered out what we believe is a policy that encourages a more businesslike approach -- one that could perhaps moderate the peaks and valleys that plague American agriculture.

Mr. Chairman, many of our members are small businessmen, and their customer is the American farmer. In the fertilizer business, they must develop a "marketing plan" to guide their future decisions. The Institute has taken this same businesslike "marketing plan" approach in its agricultural policy which states in part:

"...These problems can best be solved by a long-term, consistent agricultural policy that works toward an objective of stability...an objective that should include recognizing the total agricultural market, preserving that market, and expanding that market -- both foreign and domestic..."

TFI strongly endorses the creation of the National Commission on Agricultural Trade and Export Policy. It is an important step toward identifying and establishing a data base on which to develop a "marketing plan" for agriculture. It is a step toward recognizing the total agricultural market, preserving that market, and -- more importantly expanding that market. S. J. Res. 319 provides for a much needed evaluation of agricultural trade and export policy programs. We believe an independent Commission can conduct an unbiased study and make recommendations for improvements in federal policies to facilitate the development, maintenance, and expansion of U.S. agricultural markets.

We presently have a patchwork quilt of federal agricultural export programs -- many of which show signs of good manufacture. Some critics will probably look at the notion of appointing a Commission to study this diverse mosaic of programs as a futile venture. Such pessimism must be avoided because the stakes are far too high for all of us.

Four consecutive years of declining farm exports and a steady ebbing of America's share of the international marketplace spells severe financial hardship for many farmers and for those of us who supply them. We see these difficulties regularly at the local level in our businesses -- the young, innovative farmers who fail because they were not fortunate enough to inherit low cost land; the second or third generation farmer whose equity base is slowly sliding toward the edge of the abyss; the local independent or "co-op" fertilizer dealer who can no longer afford to keep his doors open.

Mr. Chairman, last week, one of our major retail dealers from Colfax, Washington testified before the House Agriculture Committee in support of the House companion bill -- H. J. Res. 600. I would like to share with you some examples of his concerns about agricultural exports. These same concerns are true I am sure for the corn and feedgrains farmers in my home State of Illinois.

In the soft white wheat belt, in the State of Washington, declining export market share has already left a carryover of 166 million bushels, equivalent to one years' bumper crop for the state, and a further rise of 29 percent is predicted next time around. Last year, all elevators were filled to the rafters and one firm piled over 5 million additional bushels on the ground

near the edge of town. Half of this pile, now badly damaged by spoilage, still remains and more wheat is being added every day as we prepare for another harvest. How big will the surpluses be next fall?

With two-thirds of the U.S. wheat and much of our corn and other crops now raised for export, stronger, more effective methods must be found to reach foreign markets if a long-range solution to the economic plight of the American farmer and agribusiness is to be found. No matter what the shape for future domestic programs, we have got to be able to export our crops instead of building ever higher piles on the ground. Our success in this endeavor is important, of course, not only to farmers and farm suppliers, but to the general public because of the consistent balance of trade surpluses that agriculture has generated over the years.

The Fertilizer Institute believes it is time for the Administration, Congress, and the private sector to work together to develop new policies and programs that will maintain and expand the market for U.S. agricultural exports. We believe that an important first step is to evaluate current policies and their impact on international markets. We strongly feel that the Commission offers an important opportunity to begin immediately the evaluation and analysis so badly needed if we are to restore the strength and vitality of our agriculture economy.

Mr. Chairman, we are not proposing to usurp the powers of the Congress. We in agriculture simply want to help in some way to solve the problems that are plaguing our agricultural exports. We believe sounder policy can be developed, and better decisions can be made if all the facts are known.

Therefore, the Institute supports creation now of the National Commission on Agricultural Trade and Export Policy to build a foundation for more productive, better coordinated future programs. We in the fertilizer business must constantly seek new ways to make American agriculture strong and viable for, like other agri-business industries, we can succeed only when the farmers we serve can find markets for their commodities.

The Fertilizer Institute, like many others here today, is willing to commit its time and resources to ensure the success of the Commission on Agricultural Trade and Export Policy.

We urge your support of Senate Joint Resolution 319. Thank you.

August 2, 1984

The Honorable William V. Roth, Jr.
Chairman, Committee on Government Affairs
U.S. Senate
340 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Chairman Roth:

The American Feed Manufacturers Association (AFMA) wishes to take this opportunity to record its support for S.J. Res. 319, and its goal of creating a national commission to study and make recommendations on methods to improve this nation's export agricultural policy, and over time, expand sales of U.S. agricultural products overseas.

We request that the following comments be made part of the hearing record of August 3, 1984, when the Committee on Government Affairs meets to hear views on S.J. Res. 319.

AFMA is the national trade association representing the manufacturers of over 70% of the primary formula livestock & poultry feed sold in the U.S. Feed manufacturers annually buy $10-15 billion in feed ingredients, mostly grain and grain byproducts, making the U.S. feed industry the nation's largest domestic user of grain.

Early in 1984, the AFMA board of directors recognized that our association must take an active role in the formulation of long-term federal agricultural policy direction in general and the specifics of 1985 farm legislation. To this end, the AFMA Congressional Action Committee met in early February, 1984, to draft a farm policy "direction" statement that would serve as the basis of our efforts relative to the 1985 Farm Bill debate and beyond. This statement was approved by the AFMA Executive Committee in March, 1984, and by the association's board of directors in May. We have attached a copy of our agricultural policy statement as part of these comments.

One of the fundamentals of AFMA's farm policy position is the clear realization that U.S. agriculture does not exist in a domestic vacuum. Farm policy decisions cannot be made outside the context of the U.S. position in international commerce. The economic health of U.S. agriculture, indeed, the over-all economic health of the nation is

directly related to U.S. agriculture's ability to compete in international markets. To quote from AFMA's farm policy paper:

> "U.S. agricultural policy must recognize we live in a world economy, and that agricultural markets are vital to the U.S. Domestic price support programs should not artificially encourage increased production abroad, thereby continuing the erosion of U.S. agricultural exports.
>
> "The U.S. must regain its reputation as a reliable supplier of agricultural products to world markets...AFMA supports additional efforts to export animal products and reduce artificial barriers in other countries against importation of U.S. agricultural products."

AFMA's conscious effort to couch its agricultural policy position within an international context is due primarily to the recognition that the presumptions of strong export markets for grain and other U.S. farm products for the past 20 years are no longer valid for the future. This nation's future ability to compete for international markets faces the most severe challenges in its history. Consider the following prevailing circumstances:

*Expanded foreign production, often in direct response to U.S. domestic farm support programs, is increasingly sold with the benefit of export subsidies;

*Declining purchasing power in otherwise promising new markets inhibits U.S. ability to expand its global market;

*A world economy, recovering at a slower pace than that of the U.S., and a strong U.S. dollar, stifle this nation's ability to sell products abroad.

These factors have combined to produce a 20% decline in farm export earnings over the past few years. In 1980, the U.S. sold $43.8 billion in ag exports abroad, with ag exports alone responsible for a positive balance of trade. In 1983, total agricultural exports totaled only $37.7 billion with a similar decline in export volumes, and the U.S. had a negative balance of trade.

AFMA recognizes there have been good-faith attempts to create directed federal policy on agricultural export development. However, these have often fallen short of the goal, or they have relied too heavily on traditional approaches developed during the "golden years" of ag exports. This is likely due to the myriad interests which must be accommodated from within and outside the federal bureaucracy. What has developed, however, is a patchwork of specific solutions and actions on specific situations as they develop. Some of these have been successful; others have unfortunately conflicted with previous federal actions, leaving domestic agricultural shippers and overseas customers bewildered as to the principal direction of U.S. agricultural export policy.

A National Commission on Agricultural Export & Trade is a necessary first-step in developing a cohesive realistic federal export policy that will enable the U.S. to regain its role in world agricultural trade.

It is significant that the membership of this proposed commission will be primarily private sector individuals. AFMA supports this approach.

It is desireable to utilize the perspective and abundant expertise of private sector agribusiness to thoroughly examine current agriculture-related trade and export policies, programs and practices to make sure these efforts increase rather than hinder the competitiveness of U.S. agricultural products in international markets.

The private sector is also the best source of fresh approaches and recommendations on which export promotion and assistance programs are the most realistic hope for increased overseas sales of U.S. farm products. It is also the private sector exporter who can identify most specifically those barriers erected by foreign competitors which have served to erode U.S. markets abroad, and who can propose workable solutions to deal with these impediments.

As to the conduct of the proposed commission's studies and the time-table for reporting to the President and the Congress, AFMA strongly supports the provision for a mandatory interim commission report to the chairmen of the respective congressional committees on agriculture. In this way the benefit of the commission's work will be included in those panels' debate on the specifics of omnibus farm legislation during 1985.

It is imperative that 1985 farm bill debate be carried on in the context of improving exports through the judicious development of federal farm support programs. It is equally imperative that such domestic farm support programs not conflict or inadvertently serve to aggravate the current weakened position of U.S. exports in the world market.

In conclusion, AFMA supports the creation of a National Commission on Agricultural Trade & Export Policy. This commission, utilizing the wealth of private sector trade expertise, will serve as an important tool in this nation's development of a realistic, long-term export policy, a policy that will reposition the U.S. as the world's most abundant and reliable supplier of farm products.

AFMA again would like to commend you and your committee for your prompt attention to this important matter.

Sincerely,

Steven L. Koppend
Legislative Director

AFMA AGRICULTURAL POLICY POSITION STATEMENT

Adopted March 28, 1984 by the AFMA Executive Committee
Recommended by the AFMA Congressional Action Committee

"The American Feed Manufacturers Association supports a safety net approach to federal farm support programs to protect farmers from extreme low prices, with price supports no higher than market clearing levels. AFMA supports a livestock and poultry production system free of mandatory production or marketing controls.

"U.S. agricultural policy must recognize we live in a world economy, and that agricultural export markets are vital to the U.S. Agricultural price supports, whether they involve target prices or loan prices, should be no higher than market clearing levels. Thus, they would not artificially encourage increased production abroad, thereby continuing the erosion of U.S. agricultural exports.

"The U.S. must regain its reputation as a reliable supplier of agricultural products to world markets. There should be no embargoes of agricultural exports unless it becomes necessary to embargo exports of all U.S. products to a given country or countries.

"AFMA supports additional efforts to export animal products and reduce artificial barriers in other countries against importation of U.S. agricultural products.

FARMLAND INDUSTRIES, INC.

post office box 7305/kansas city, missouri 64116

August 1, 1984

The Honorable Charles H. Percy
United States Senate
443 Senate Dirksen Office Building
Washington, DC 20510

Dear Senator Percy:

Farmland Industries, with 126 member associations in the state of Illinois representing over 49,000 farm families, commends you for your leadership in conducting hearings on S.J. Res. 319. We are very supportive of this legislation which we think is of vital importance to the farmers and agribusiness interests in the state of Illinois and across the country.

I, personally, as a farm boy from Randolph County, Illinois, am also extremely pleased that you have given this legislation, which could very well improve the American farmer's share of the world agricultural market, your full attention.

Because of our very strong support for this legislation, we ask that the enclosed statement be made a part of the hearing record.

Thank you for your leadership and your consideration.

Sincerely,

Dave Fulton
Vice President
Government Affairs Division

Enclosure

FARMLAND INDUSTRIES, INC.

post office box 7305/kansas city, missouri 64116

Statement of
Farmland Industries
by
D. M. Chartier

Before the Committee on

Governmental Affairs
U.S. Senate

Hearings on

S.J. Res. 319
National Agricultural Trade and Export Commission Act of 1984

August 3, 1984

Statement of
Farmland Industries
Presented by D. M. Chartier
Committee on Governmental Affairs
S.J. Res. 319
August 3, 1984

Mr. Chairman, I am Don Chartier, President of FAR-MAR-CO, Inc., the grain marketing subsidiary of Farmland Industries with headquarters in Kansas City, Missouri. Farmland is a supply and marketing cooperative owned by 2,200 local associations which are, in turn, owned by 500,000 farm families in 19 states from Indiana to Idaho, from Texas to Minnesota. Farmland Industries is the largest agricultural cooperative in the United States.

The Farmland system strongly supports S.J. Res. 319 to create a National Agricultural Trade and Export Commission. We believe it is the right kind of idea at the right time.

Mr. Chairman, we commend you for taking the leadership to hold hearings on this vital piece of legislation; and, of course, we are very grateful to Senator Dole and other Senate leaders for having introduced S.J. Res. 319. We appreciate the opportunity to submit testimony for the record on behalf of this legislation.

As you gentlemen know full well, agriculture, the largest single industry in the United States and the largest single contributor to our balance of payments, is in deep trouble. Part of that difficulty can be traced to lagging exports.

Export sales of American farms boomed during the 1970s. Some thought, prematurely, that this rising tide of exports was propelling American agriculture into a new golden era. But, after hitting a peak of $44 billion in 1981, we have seen a downturn in exports. Part of this is to be explained by the worldwide recession. But more is involved.

Not only has our total export volume dropped but, more disturbing, our share of the world market has declined and there are good reasons to be concerned that, unless changes are made, that share could very well continue to diminish in the future. Part of this loss of share, this loss of competitive edge, can be explained by the rising strength of the dollar. But, again, more is involved.

I would submit to you, Mr. Chairman, that a basic reason for this deteriorating export situation relates to the fact that we do not have a national, comprehensive, integrated, forward-looking agricultural export policy capable of addressing and adjusting to changing international economic conditions in a timely and effective fashion. Rather than a comprehensive policy which clearly identifies farm exports as a national priority, we have an ad hoc collection of export credit and other development programs, which are helpful but do not effectively address broad international credit, finance, and trade realities. And, in the absence of such a policy, we have made mistakes such as the imposition of embargoes which have damaged our credibility as a reliable supplier.

No one in particular is to blame for this situation. Not the Administration. Not the Congress. Not the industry. The fact of the matter is, we have moved into a new economic era and we haven't yet had the time or developed the tools to fully understand it and to react to it.

Mr. Chairman, American farmers have come through a dozen years of dramatic change. These changes have resulted in our agriculture becoming an integral part of the global agricultural system. We are told that American agriculture has become internationalized, and we understand that to be a fact. Most accept that this internationalization of American agriculture is irreversible. But to say that we recognize this basic fact is not to say that we understand all of its ramifications.

We believe that a commission such as envisioned by this legislation would be an effective vehicle for helping us to sort out our thinking and deepen our understanding of an extremely complex set of problems and that a study of the conditions which make us competitive in the international marketplace would help us identify viable policy options.

Having said that, there is less than full understanding about the nature of the total problem. There are some things that we know very clearly. First of all, U.S. agriculture is now dramatically affected by export trends. As we look at our own economy, we see only minimal growth in domestic demand for food and agricultural products. Diets will shift, individual commodities will rise or fall, but in the aggregate, with a relatively stable population, the growth potential for domestic markets is limited.

All the while, the productivity of our farmers will undoubtedly continue to increase significantly. This means, inevitably, that we will have to export more commodities, idle more acres, or pursue some combination of both.

In regard to export potential, we also know it to be a fact that the markets we have developed over the past decade or so are approaching a saturation point. While there will be some growth in agricultural sales to Japan and to the nations of the European Economic Community, and perhaps to the European Communist Bloc, the growth will come much more slowly than in recent decades.

The new potential for growth, and it is tremendous indeed, is among the developing nations of the world where caloric intake is low, where economic growth has been and, hopefully, will again be significant, and where indigenous production is not likely to meet the requirements of their population.

Unfortunately, most of these nations are presently saddled with a debt structure that sharply curtails their ability to import needed agricultural products. The realization of how serious that debt structure problem is, has only recently come to be recognized here in this country and, certainly, it is my impression that neither our government nor our financial community knows clearly how to deal with that problem. As a result, American agricultural exports are going to continue to suffer unless we develop export programs tailored to deal with this situation.

Again, this is precisely the type of reason why we need a commission. We need to take the broad, macro look at the debt structure problem of the developing nations, how that relates to the future for American agricultural exports, and what steps can be taken to deal with that problem. New tools will be needed, old ones will have to be modified. A commission can bring in the expertise, the experience, and the innovative ideas that will set the pattern, and outline the approaches that are necessary to develop this potential market in the decades ahead.

Mr. Chairman, if I may, let me further illustrate the need for a National Agricultural Export Commission by reviewing some additional questions for which, at least in my mind, we do not at the present have adequate answers.

For example, is the GATT still appropriate to the conditions of the late 1980s, or are there changes that ought to be made? How best can our government policies be coordinated so as to avoid retaliation from other countries against our trade programs? Another question involves supply agreements. We have had some significant success in the limited use of bilateral supply agreements. Other nations, our friendly competitors, have made great use of supply agreements. We need to explore this area more extensively.

I would suggest that the whole area of export credits needs to be reviewed. As indicated earlier, we know that many of the nations with the greatest food import potential also are having terrific financial problems. What kind of credit--public, private, quasi-private--would best meet those needs in the late '80s and early '90s? Would intermediate term credit be helpful? Are there other approaches that would help bridge the gap between need and demand on the part of developing nations in our southern hemisphere, in South Asia, in Africa, and at the same time begin the market development process for American farm products?

What changes need to be made in the P.L. 480 program to make it more effective in serving the multiple purposes of providing aid to low-income, free-world countries, pursuing development concepts, encouraging export of agricultural commodities, and supporting our foreign policy? What about transportation? Given our national commitment to a strong maritime industry, are there better ways to assist that industry over those that we have been attempting in the past?

What about the value of the dollar? We know it is a problem for our farm exports. The typical response is to call for the elimination of the federal deficit. I'm all for that. But, even if it is the case that reducing the deficit will bring down the value of the dollar, I'm not at all convinced that the deficit is going to be reduced enough and in time to help American agricultural exports. There may be other approaches to dealing with the consequences of a strong dollar that we in the agricultural community ought to be looking at.

Mr. Chairman, let me raise one further and final question about the agricultural export situation which demonstrates, at least in my way of thinking, why we need to have some type of forum which is capable of sorting through the rhetoric and getting to the heart of the matter.

It is a question of basic importance. Let me put it this way: Is the problem one of how to expand the American share of the existing global market for agricultural products? Or, is it a question of how do we, working together with other countries, seek to expand the total global market for agricultural commodities?

These two different ways of looking at the issue produce rather dramatically different sets of policy strategies. A strategy for expanding our share of the existing pie would suggest a set of programs which would be substantially different from a strategy of joining with others to expand the total pie while maintaining our share of that expanded world market. These two approaches are not mutually incompatible. It is not a matter of approaching it from only one perspective at the exclusion of the other. But, as we look down the road in our search for policy options regarding American agricultural exports, I think it is absolutely critical that we, in the agricultural community, and you, as Members of Congress, address this most fundamental question. I don't think it is being adequately addressed now. It is the type of question which I think the commission could come to grips with.

Mr. Chairman, some people have argued that we don't need a commission such as this because the type of work the commission would do could be done and, in fact, should more properly be performed by the appropriate committees of Congress. I am sensitive to that argument and ultimately, of course, the resolution of that point is one that you gentlemen will have to make. It does seem to me, however, as an outsider, and by no means an expert on Congress, that there are several counter-arguments. One is that you are faced with the challenge of writing domestic farm legislation in 1985. It seems to me that that task in itself is going to be enormously time-consuming and that it is going to be difficult for you to devote time to such larger, macro international economic issues as to how the current debt structure in the developing nations impacts on American agricultural export potential and how that particular problem can be addressed; or how we deal with the growing strength of the dollar and its impact on agricultural exports.

And, in regard to the 1985 farm bill, I believe that if the commission can be established soon enough, it will be able to provide Congress with information about global agriculture which will be of value in writing legislation about domestic agriculture.

Furthermore, Mr. Chairman, there are those who suggest that the organizational structure of congressional committees makes it difficult to deal with broad, sweeping international issues that we think need to be addressed in regard to agricultural exports.

A commission such as is being proposed here would help bridge that committee jurisdictional problem and could add to the work of the relevant committees without in any way subtracting from them.

In conclusion, Mr. Chairman, let me say that we are not talking about just the agricultural industry, not just about farmers or processors, or cooperatives, or exporters, or marketers. We are really talking about a national purpose, a national strategy, a national issue. As I indicated earlier, in 1981 agricultural exports totaled $44 billion. When that slumped to $35 billion, it hurt not just agriculture, but our entire nation.

Designing a competitive program for American agriculture in the international scene is, without question, an extremely difficult one. Mapping a course that fits our system and then effectively communicates our ideas and intentions to foreign governments so that they will understand where we are coming from and where we hope to go, is a major and continuing challenge. We believe that this proposed commission could contribute to this most difficult task.

Therefore, on behalf of the 500,000 farmer-owners of the Farmland system, we urge you to move and move promptly in approving this resolution setting up the commission. We stand ready to assist you in any way in carrying out its mission, and we are hopeful that the deliberations of the commission will yield results that we will all be proud of five or ten years from now.

Thank you very much.

Senator PERCY. If we could have also now our final panel—Bob Liebenow, John Reed, and David Wirsing.

Our first witness in this final panel will be Bob Liebenow, representing the Steering Committee, Export Processing Industry Coalition. This coalition represents those in both industry and organized labor who would like to see a greater share of U.S. agricultural exports be in the form of processed products. You may summarize your statement as you see fit.

TESTIMONY OF BOB LIEBENOW, STEERING COMMITTEE, EXPORT PROCESSING INDUSTRY COALITION, PRESIDENT, CORN REFINERS ASSSOCIATION, INC.; JOHN G. REED, JR., VICE PRESIDENT, INTERNATIONAL, ARCHER DANIELS MIDLAND CO.; AND DAVID WIRSING, PRESIDENT, ILLINOIS PORK PRODUCERS ASSOCIATION, REPRESENTING THE NATIONAL PORK PRODUCERS COUNCIL

Mr. LIEBENOW. Thank you very much, Senator, for the opportunity to appear here before you. Sir, let all of us offer our congratulations to you for the good job you are doing on behalf of American farmers.

Mr. Chairman and members of the committee, I am Robert C. Liebenow, president of the Corn Refiners Association, Inc. I appear before you today representing the policy committee of the Export Processing Industry Coalition, also known as EPIC. We appreciate the opportunity to appear before you to discuss Senate Joint Resolution 319 to establish the Agricultural Trade and Export Policy Commission.

I will summarize my remarks and ask that my prepared statement be included in the hearing record.

Senator PERCY. It will be included.

Mr. LIEBENOW. The Export Processing Industry Coalition is a unique organization of associations representing food processing industries and international labor unions. Members of EPIC include the Industrial Union Department of the AFL–CIO, the Corn Refiners Association, the National Soybean Processors Association, and the Millers National Federation. The goal of EPIC is to explore ways in which the United States can increase employment and economic activity by encouraging the export of farm products in a processed, or value-added form.

The recent decline in U.S. food exports stems from both economic and policy factors. The effects of currency values and interest rates are systemic, and must be addressed as part of broader international economic policy. However, the effect on agricultural exports of trading practices and policies can be addressed by a group such as the proposed Commission.

EPIC feels that the proposed Commission should give substantial attention to recommendations which could lead to increased exports of processed and value-added agricultural products. Particular attention should be given to the potential for increased jobs and income for food processing and transportation workers resulting from these exports.

The Commission should examine policies which would promote fair and equitable trade activities among nations, including ways in which U.S. trade policy could firmly reestablish the credibility of the United

States as a dependable supplier of agricultural products; defend its right to an equitable share of the international market and promote the competitiveness of U.S. industries in these markets.

While our policy of depending on a free international market for farm products is admirable, levels of U.S. farm exports do not reflect this country's true competitive advantage in production of farm products. Recent events provide little encouragement that other nations will voluntarily restrict the use of protectionist and expansionist agricultural policies. We feel that the proposed Commission could explore innovative ways in which the United States can, in a reasoned and targeted manner, demonstrate to the world that it will not allow its farmers and industries to compete in a world dominated not by production economics, but by Government programs.

The Commission should study ways in which the United States can make more effective use of existing Government programs to improve our competitiveness and develop long-term markets for U.S. processed agricultural products. Many programs exist which can be used in this manner, and we commend recent USDA actions geared toward using existing authority to stimulate value-added exports.

Mr. Chairman, EPIC feels that the proposed Commission could unveil important possibilities for increasing exports of U.S. farm goods, including processed and value-added agricultural products. Thank you, sir, for the opportunity to share our views with you, and we will be glad to answer any questions you may have. Thank you, sir.

Senator PERCY. Thank you very much, indeed. Now we have Mr. John Reed of DeCatur; vice president, International, for Archer Daniels Midland Co. ADM has one of the largest product line ranges from soybean meal, corn gluten feed, vegetable protein, Food for Peace Program.

You can summarize your statement, if you care, and your entire statement will be incorporated in the record.

Mr. REED. Thank you, Senator Percy. I think instead of trying to render a precise summary of the written statement, I would prefer to add a few comments which I hope will supplement the statement which is going in the record.

Senator PERCY. Fine.

Mr. REED. I should perhaps mention, in order to put my remarks in perspective, that in addition to my corporate responsibilities, I also serve the soybean processing industry as chairman of its International Trade Policy Committee. And, in addition, I have been, since 1977, a continuous member of the Agricultural Policy Advisory Committee for Trade.

Other witnesses have referred to the loss of U.S. market share in world agricultural trade. I would like to cite a couple of simple statistics to help quantify the magnitude of that loss. Our agricultural exports during the current fiscal year will be down 24 million metric tons from the level achieved in the 1980 fiscal year. That is a decline of approximately 15 percent over 4 years. The cumulative decline over that 4-year period is 51 million metric tons, which is an enormous loss of export volume and enormous loss of economic potential.

One way of looking at that 51 million ton cumulative loss is that the loss of business has forced us to either add to inventories or, in the alternative, bring some land out of production to avoid building in-

ventories. In the case of value-added products, with which I am personally very familiar—soybean oil and soybean meal—the United States lost over 40 percent of the world export market since the middle 1970's, and the soybean processing industry today is running at 55 percent of capacity, with many plants closed permanently.

Many of the causes of this decline are well known and have been mentioned by other witnesses. One cause obviously begins with the large Federal deficit which leads to high real and nominal interest rates, and a severely overvalued U.S. dollar, which has two economic effects on agricultural exports.

The first effect is that it forces our foreign customers, importing countries who buy our goods, to pay much higher prices in their local currency, and having to pay higher prices reduces the level of effective command.

The second effect, since we do have competitors who also export the same agricultural commodities, is that it sharply increases the local currency revenue which our foreign exporting competitors receive for their products, thereby stimulating additional production in those exporting countries.

Another factor started with the 1980 grain embargo by President Carter and the Soviet Union's subsequent policy decision to purchase from the United States last rather than purchase from the United States first. We have made some progress in redressing that situation, but we still have a long way to go.

Another factor, in our opinion, appears to be a somewhat inadvertent result of the 1982 farm bill. It is clear that in recent years we have frequently had loan prices for wheat and feed grains above market-clearing levels, the end result being we built stocks and took land out of production while our competitors happily increased their production and exports.

I can also testify out of my own personal knowledge that the use of export subsidies by countries like Brazil, Argentina, the European Community, and Spain are having a very adverse effect on U.S. agriculture. These countries are dumping agriculture products in the world markets at prices with which we simply cannot compete.

And, in the fact of those practices, I have to admit that it seems to me that our trade negotiators, for the most part, are unable to resolve our agricultural trade policy differences with our trading partners, whether it be within the framework of the GATT or whether it be as a result of bilateral discussions.

Over 1 year ago, the National Soybean Processors Association filed a global 301 petition complaining about nine specific trading practices employed by six countries which export soybean oil and soybean meal. Our trade negotiators have accepted our case, and they are doing the very best they can to try to resolve the problems. So far, we have had very little satisfaction.

But in addition to those causes, which other witnesses have referred to earlier, it seems to us there is in addition one overriding cause of our problem. And that is, in our opinion, the United States does not have a well-planned, clearly-stated, unified, coherent agricultural export policy, particularly in that part of the policy area which deals with the trading practices of our competitors.

We think our policy so far has been one of reacting to individual issues pretty much on an ad hoc basis, and that fact has contributed to the difficulties we find today.

As a result, it looks to us as though our trade negotiators do not have the tools that they really need to have in order to force our subsidizing competitors to come to the bargaining table and negotiate a satisfactory resolution of our trade disputes.

Furthermore, it seems to us that the U.S. Government, perhaps because of the structure, does not use the inherent economic leverage which it possesses. We, for example, support many of our subsidizing competitors with tens of billions of dollars in ways that are not directly related to agriculture. We do this in the defense area; we do it with foreign aid; we do it with economic development; and we do it through our large participation in IMF and World Bank loans.

Yet, it seems to us, there is little or no effort to utilize the enormous economic leverage, which this aid we provide should give to us, in an effort to clean up agricultural trading practices.

We do know that other nations do things differently when they are extending economic assistance to their trading partners; they expect to get something in return. We think that we should also.

Senator Percy, for all these reasons, ADM strongly supports Senate Joint Resolution 319. We think a clear, coherent agricultural export policy is badly needed, and that this is an excellent first step toward that objective. We will support it in every way we can. Thank you.

Senator PERCY. I thank you very much, indeed. David Wirsing comes to us from a 500-acre farm in Sycamore, IL, De Kalb County. He markets 2,000 hogs each year; appointed in 1982 to the Chicago World's Fair Commission to represent Illinois agriculture.

I think back on the time that I put in fighting to get the World's Fair away from Miami, away from Paris, away from any number of other cities, and I hope that we are going to steer this course in the city of Chicago in the right way, nonpartisan say, and we are going to have that fair. I certainly feel better you are representing the Illinois agriculture on the Commission.

We are happy to have your testimony. If you would like to proceed.

Mr. WIRSING. Thank you. I am a working pork producer. I wanted you to know, Mr. Chairman, members of the committee, the National Pork Producers Council appreciates the opportunity to appear before this committee in support of the concept of a National Commission on Agricultural Trade and Export Policy.

The National Pork Producers Council represents over 110,000 pork producers and their families in 38 States. Our organization represents virtually all commercial pork producers in the United States.

One of the important roles of the Commission, as now proposed, would be to identify and make recommendations concerning practices by foreign countries, which impede the export of American agricultural products and how the U.S. should respond to those practices.

One need look no further than the present situation involving the massive importation of live hogs and pork products into the United States from Canada to illustrate the unfair hardship U.S. producers suffer, as a result of unequal current trade practices.

Hogs and feeder pigs entering Canada from the United States are quarantined at the border for 30 days prior to entry into Canada because of Canadian pseudorabies guarantine regulations. Meantime, hogs and feeder pigs entering the United States from Canada have no such restrictions and are not even tested by U.S. authorities for disease control. All that is required is a veterinarian's certificate stating that the hogs have been free of communicable disease for 60 days. As a result of the unreasonably long Canadian quarantine period, only 203 live hogs entered Canada from the United States in the entire year 1983. During the same 12-month period, over 447,000 Canadian hogs entered the United States. Is this reasonable and equal disease enforcement?

Canadian pork producers last year received a $6.54 per head subsidy from the Government on every hog they sold. They don't call it a subsidy, but rather an income stabilization program. It accomplishes the same thing, in that it provides monetary Government incentive to raise more hogs. U.S. producers have not sought and do not now seek, a subsidy of any kind from their own Government.

All U.S. pork producers want is an opportunity to compete on an equal basis with their counterparts doing business within the United States. They cannot do that when the foreign producer is government subsidized, regardless of the name attached to the practice.

While U.S. pork producers have been voluntarily cutting back their swine herds during the past year in an attempt to bring their ultimate product more in line with supply and demand, Canadian producers, with the full encouragement and monetary support of their Government, were targeting the U.S. market to take advantage of the shorter domestic supply and the strong U.S. dollar. In the first 6 months of 1984, Canadian live hog imports increased 148 percent to 603.682 head, already exceeding the amount of Canadian live hogs imported to the United States for the entire 12-month period of 1983.

University of Missouri economist Glenn Grimes estimates the avalanche of hog and pork exports from Canada may have cost U.S. producers as much as $379 million in the first 5 months of this year. Even Agriculture Secretary John Block told reporters in Indianapolis early this week, "I'm convinced Canadian hog imports are hurting our markets and keeping hog prices down."

I have an update on some figures Glenn Grimes has come up with. This year so far, it would look like about $1.60 on the bottom low side per hundredweight, as high as $4.24 a hundredweight costing the industry in the range of $178 million up to possibly $470 million.

As one U.S. pork publication recently pointed out, "Canadian pork producers have their foot to the floor on production plans. The U.S. market is positively on fire, as far as Canadian producers are concerned." To complicate the matter further, this past Monday, a strike closed down 12 packing plants in Canada, and there are indications it may be a lengthy dispute. That will force even more thousands of Canadian hogs into U.S. plants for slaughter. Canadian producers have obviously targeted the U.S. market for future production increases, and U.S. producers who had hoped through their own voluntary and unsubsidized efforts to perhaps make a reasonable profit this year, now fear that is but a fanciful dream.

The U.S. Food and Drug Administration has outlawed the use of an antibiotic known as chloramphenicol in animals produced for food in the United States. It is used to treat certain bacterial and viral diseases in animals. The antibiotic is not restricted from use in food-producing animals in Canada and reportedly is used rather commonly there. When the National Pork Producers Council point out to Food and Drug Administration and U.S. Agriculture Department officials earlier this year the potential problems that could result in the comingling of this antibiotic-treated animals and product from Canada with the U.S. pork supply, it was met with deadly silence from the U.S. agencies involved.

It would appear to us to be a simple matter of consistent and fair enforcement with livestock animals and meat products entering the United States adhering to the same health and safety regulations being applied to domestic producers in the United States. At the moment, those health and safety regulations are not enforced equally by our own U.S. agencies.

Mr. Chairman, U.S. pork producers do not seek protection from fair outside competition. They have no desire to jeopardize trade relations with Canada, one of our Nation's best agricultural trading partners. All they want is an opportunity to compete in their own Nation on an equal basis with their pork producer counterparts from other nations. All they seek is fair and equal enforcement of safety and health regulations from our own U.S. agencies who are mandated to provide such enforcement. All they ask is restoration of fair trade in pork commerce between our two nations.

While I have concentrated on the Canadian hog and pork import inequities in today's testimony, there are other areas where the proposed Commission, if properly mandated, could be of some assistance. It is well known that the European Economic Community nations subsidize their producers and then ship their products to the United States to compete alongside U.S.-produced commodities, such as pork products, which arrive on the grocers shelf without such Government assistance.

The National Pork Producers Council believes establishment of a National Commission on Trade and Export Policy would provide a proper forum to identify areas of conflict in agricultural trade, such as those we have outlined here. The Commission would hopefully propose ways that such conflicts could be resolved in a fair and equitable manner.

I want to thank you for giving us the opportunity to be here today.

Senator PERCY. We thank you very much for that fine statement.

I believe, Mr. Liebenow, we will start with you then. As you know, I have been a strong supporter of EPIC. I feel strongly, as you and many of our colleagues do, that we should be exporting more processed product. However, we do come up against the problem many countries will take the position, well, we want to have that labor content saved here.

Can you give us the arithmetic, how competitive are we and if we can stay free of restrictions, arbitrary restrictions, isn't the end the export country that we are sending our product to better off by having a more competitively priced product?

Mr. LIEBENOW. We think so, Senator. It is very important to us and equally important to them. The statistics were given by Senator Dole and Senator Helms, $1 billion translates to 25,000 to 30,000 jobs, as far as this country is concerned.

As far as value-added products are concerned, EPIC is not trying to take away the market for the soybean, for the corn, for wheat, for the raw material. We feel that some emphasis should be made, however, to add value-added products and processed products as well, and it is good for the economy abroad because it gets them into other things.

Senator PERCY. The Food for Peace Program, it has been suggested, could be changed to include a greater proportion of value-added or processed product. Some shippers of bulk commodities are concerned this might reduce their role in the program.

Could you comment on these concerns?

Mr. LIEBENOW. I would say the concerns are probably genuine, sir.

Senator PERCY. They are what?

Mr. LIEBENOW. I would say they are genuine; you are not going to export the raw material. Our position is there is room for both. We hope the Commission will, through their innovative ideas, expand agricultural products so there will be room for value-added products and increase exports so no one segment of the export distribution system for agricultural food and fiber will suffer.

Senator PERCY. Having worked closely with you for the past 3 years on the corn gluten feed issue, as you well know, despite our best efforts, the Community seems determined to break our trading agreement. It was demonstrated only this week when a Community representative told the National Corn Growers, using some convoluted logic, that U.S. wheat growers would benefit from breaking this agreement.

Could you comment on this statement and give us your thoughts on what the U.S. Government should do when the Community finally moves to break this agreement?

Mr. LIEBENOW. I might say I feel the administration and the Congress, through the efforts of you and Senator Dixon and other people in the Senate, have done a very good job in demonstrating to the European Economic Community that, for the first time, we are serious and real in our efforts to retaliate in the event they do something as far as corn gluten feed is concerned. If it wasn't for your good efforts and associates in the Senate and House as well, there would have been something done against corn gluten feed months ago, in my own opinion.

The United States is likened to a paper tiger which growls and threatens but which hasn't done anything. That is as far as both administrations, Democrats and Republicans.

Ambassador Brock and Secretary Block have indicated with the help of the Congress, they are serious and retaliatory measures. I would imagine they are going to put them into effect in the event, as far as corn gluten feed is concerned, something is done, and I encourage them to do so.

Senator PERCY. I thank you for laying it right on the line. Good to hear.

John Reed, the U.S. soybean share of world trade has declined dramatically over the last 10 years from 78 percent in 1973 to 25 percent in 1983. This happened with both a strong dollar and a weak dollar, so it is not just the dollar. Your industry has pointed to subsidized exports by competitive nations, such as Brazil and other oil-seed-producing nations. Complaints have been brought before the General Agreement on Tariff and Trade, yet the subsidies continue.

What do you believe the Commission might do to help the situation, and we must say we do bear some of the problem, some of the burden ourselves as a country because it is the price controls imposed in this country that caused, and we stopped soybean exports to Japan and caused them to invest $1 billion in Brazil to create a market that has competed effectively since then.

So we are not blameless in that regard. It was an ill-conceived policy. Certainly, we learned our lesson, I hope, once and for all on that. Still, we are faced with a situation now that is related to it, but we have got that behind us.

What do you think the Commission might do to help the situation I described?

Mr. REED. Senator Percy, I have to agree we have shot ourselves in the foot several times during the past 10 or 12 years. I hope we don't make those mistakes again.

In my opinion, the primary reason that the U.S. share of the world soybean trade, not soybean oil or soybean meal, but soybean trade, has declined is rapidly increasing soybean production in South America, particularly in Brazil and Argentina. To a significant degree, the world has needed those additional soybeans, and we don't take exception to Brazil and Argentina increasing their production as long as there is a genuine economic basis for doing so. What we object to strenuously is use of export subsidies to introduce soybean oil and meal into world trade at prices which U.S. processors and exporters literally cannot afford to meet.

I think this Commission, in addressing the issue of export subsidies in the agricultural area, should be able to come up with some recommendations for strengthening the hands of U.S. negotiators so that we can force our trading partners to sit down and realistically negotiate a mutually satisfactory resolution of our disputes.

I think the evidence to date indicates that in the agricultural area, it can't be done under the GATT, and it is not being done bilaterally.

Senator PERCY. How much confidence do you have in the GATT, and how much confidence do you have in the GATT in actually resolving some of the problems of subsidized contribution?

Mr. REED. The GATT does provide a forum. It provides a mechanism for getting parties to sit down and talk about disputes. It takes an interminable length of time. If a dispute is escalated into the GATT settlement dispute procedure and a panel is formed, the history of recent years on agricultural disputes has been that it never gets out of the panel. There are cases on record where the United States has clearly won at the panel level, but you can't get the decision out of the panel and get anything done about it.

We support the GATT. We want to see the GATT strengthened and made more effective, but I think the fact of the matter is that today, in the agricultural area, right now it is not working.

Senator PERCY. Let me just repeat a question to you that I have asked of other witnesses. Some do say in this country with its huge deficits that we now have and the efforts we are making to bring them down, we are in no position to supply U.S. subsidies to other soybean producers and processors, because of the deficits.

What comment would you have on those? How much damage is this subsidized foreign competition actually doing to our domestic industry in terms of billions of dollars?

Mr. REED. I think the subsidized foreign competition is doing enormous economic damage to U.S. agriculture and U.S. agribusiness, and I think that those who argue that we can't afford x amount of dollars, a half a billion dollars, say, for export subsidies, not as a matter of long-run economic policy, because in the long run, it is counterproductive policy, but as a way of trying to resolve our trade disputes, those people shouldn't be looking at the half billion dollars it might cost to get the trade disputes resolved; they should be looking at the enormous loss of economic benefits which results from our falling exports. That economic loss is far, far greater than any amount of money that might be involved in competitive subsidies.

Senator PERCY. Thank you very much, indeed. Appreciate it.

Now, David Wirsing, I followed closely the Canadian situation. We have had a lot of problems with Canada, natural gas, which has added to our cost in Illinois because of unrealistic prices. We have started to reduce those. I did join with my colleagues in urging Senator Boschwitz to conduct a hearing on the problems of agriculture in Canada. They will be held next Thursday. They are scheduled for 2 p.m. on Thursday.

Further, as you may know, I talked with the Menard County Illinois Pork Producers within the last couple weeks. I share their concerns and particularly find it difficult to understand why we are reluctant to treat Canadian live hog imports in the same manner they treat U.S. imports. For instance, if a quarantine on live hogs for 30 days because of a fear of a disease that only affects animals, I don't understand why we can't quarantine their live hogs for a similar period because of our legitimate concerns about a health problem that affects human health. This possible double standard is what some of us call fair trade.

As an ex officio member of the Commission, I certainly plan to raise this as a discussion topic. Certainly, it was only when we got very insistent and I had six meetings with the gas producers, with the Commissioner of Energy, convinced them and Algeria didn't think we were correct, Algeria LNG, we canceled their contracts. They simply refused to negotiate a realistic price. So, too, we just simply said, you have got to back up your words with action, and we have now canceled the LNG agreements.

So here in this case with hogs coming in from Canada, I would like to ask you a question, as a farmer who grows products that might wind up in Canada, like corn and soybeans, aren't we risking retaliation against our feed grain exports if we move too forcefully on this hog issue without giving them the chance to really respond? Canada has responded on the natural gas issue. They are reducing prices and are going to have to continue that.

How do you see it as a practical issue now looking at it with an inside view as you have?

Mr. WIRSING. I, again, when I look, being here as a pork producer, and I do produce grain and soybeans also, as a pork producer, when I look at this proposed Commission, I think this is a classic case of where a Commission like that would work. My understanding is the commodities that go back and forth between Canada and the United States, that pork is considered a free trade, no restrictions are to be on either side. That is my understanding. That is why I think this is a classic case where a Commission such as we are talking about today will fit, and I think that helps also the corn and soybean situation.

We are not being treated fairly based on what the agreement is between Canada, when we talk about pork. I really don't think that affects corn and/or soybeans, the restrictions that Canada is putting on our hogs going in there. If you just look at that side of it, if you don't look at the subsidy of Canadian hogs coming into this country, it is just not fair and proper.

[The prepared statements of Messrs. Liebenow and Reed follow:]

Testimony of

Robert C. Liebenow
President
Corn Refiners Association, Inc.

On behalf of the

Export Processing Industry Coalition

Senate Committee on Governmental Affairs
August 3, 1984

Mr. Chairman and members of the Committee: I am Robert C. Liebenow, president of the Corn Refiners Association, Inc. I appear before you today representing the policy committee of the Export Processing Industry Coalition, also known as EPIC. We appreciate the opportunity to appear before you to discuss Senate Joint Resolution 319 to establish the Agricultural Trade and Export Policy Commission. We would like to express our appreciation to both you and each of the sponsors of this resolution for their interest in and support of U.S. agriculture.

Mr. Chairman, the Export Processing Industry Coalition is a unique organization of associations representing food processing industries and international labor unions. In addition to the Corn Refiners Association, other members of EPIC are the National Soybean Processors Association, the Millers National Federation and the Industrial Union Department of the AFL-CIO. EPIC believes there is a common interest among these groups in expanding the amount of value-added agricultural products this country exports to foreign markets.

Increased exports of value-added products result in increased employment, and in security for existing jobs throughout the U.S. food production, processing and transportation system. The U. S. Department of Agriculture has estimated that for every billion dollars in the value of processed product exports, there are an additional 25,000 to 30,000 jobs created for American workers.

The U.S. agricultural system accounts for over 20 percent of the GNP and 22 percent of the nation's employment. In 1982, U.S. farmers contributed $71.1 billion to the GNP. The transportation, processing and marketing of the farm output accounted for $556 billion, generating eight dollars of economic activity for every dollar of farm production.

With such potential for a positive impact on employment and the U.S. economy, it is disappointing to note the downward trend in U.S. farm export performance. Today farm exports are absolutely crucial to the survival of American agriculture and related industries. One of three farm acres produces for export. However, in FY 1982, farm exports declined substantially, dropping to about $35 billion from the $44 billion level in 1981. Factors involved in this decline include the increased value of the dollar, the lack of hard currency reserves in other countries and the unfair trade practices of other nations. The United States has initiated actions which could reverse this downward trend in farm exports. However, more must and can be done.

The effects of currency values and interest rates are systemic, and must be addressed as part of broader international economic policy. However, the effect on agricultural exports of trading practices and policies can be addressed by a group such as the proposed Commission. The strength of the dollar is a recent phenomena. Distortions in world agricultural trade caused by the increasing disparity between the agricultural trade policies of nations have been growing for twenty-five years, and are now reaching crisis proportions.

EPIC feels that the Agricultural Trade and Export Policy Commission should give substantial attention to the following areas:

* Formulation of policy recommendations which could lead to increased exports of processed and value-added agricultural products. Particular attention should be given to the potential for increased jobs and income for American workers throughout the food processing and transportation system resulting from export of higher levels of value-added agricultural products.

* Formulation of policy recommendations which would promote fair and equitable trade activities by all trading nations. The Commission should study ways in which U.S. trade policy could firmly reestablish the credibility of the United States as a dependable supplier of agricultural products, defend its right to an equitable share of the international market and promote the competitiveness of U.S. industries in these markets.

  For many years the U.S. has watched while its competitors instituted government programs which have steadily eroded the U.S. share of valued-added farm markets. While our policy of depending on a free international market for farm products is admirable, it has not resulted in levels of farm exports which reflect this country's true competitive advantage in production of farm products. Recent events in world trade provide little encouragement that other nations will voluntarily restrict the use of protectionist and expansionist agricultural policies. The EC has recently attempted to restrict trade by imposing a quota on the import of non-grain feed ingredients such as corn gluten feed. This action could threaten the $500 million worth of annual exports of corn gluten feed while setting a precedent for restrictions of the few remaining free market trade item, soybeans and soybean products.

  At the same time the U.S. must defend its right to equitable access to international markets, and not allow other nations to capture markets through unfair practices. Last year's sale of U.S. wheat flour to Egypt stopped short of bringing the EC to the negotiating table to discuss long-term reform in their trade practices. The EC immediately recaptured a major portion of the Egypt flour market at the end of the United States' flour agreement. We feel that the proposed Commission could explore innovative ways in which the U.S. can, in a reasoned and targeted manner, demonstrate to the world that it will not allow its

farmers and industries to compete in a world dominated not by production economics, but by government programs.

* Study ways in which the United States can make more effective use of existing government programs to improve our competitiveness and develop long-term markets for U.S. processed agricultural products. We commend the Department of Agriculture's recent decision to launch a major market development effort to increase U.S. exports of value-added agricultural products. USDA has established a goal of capturing a 20 percent share of an estimated $100 billion market by the end of this decade. Other actions within existing programs which could have a positive impact include: An increase in P.L. 480 funding for value-added product shipments; inclusion of value-added products in the U.S. contribution to the World Food Program; and expanded use of intermediate and blended credit programs, as well as the use of other financing mechanisms such as the Export-Import Bank and the AID Commodity Import Program.

Mr. Chairman, EPIC feels that the proposed Commission could unveil important possibilities for increasing exports of U.S. farm goods, including processed and value-added agricultural products. Such increased exports will not only have a positive effect on U.S. labor and industry, but also provide a means for U.S. processing industries to establish themselves as a determined competitor in international markets.

Thank you very much for the opportunity to share our views with you, and we will be glad to answer any questions you may have.

TESTIMONY OF JOHN G. REED, JR.

VICE PRESIDENT INTERNATIONAL--ARCHER DANIELS MIDLAND CO.

Good morning Senator Percy, Committee Staff, ladies and gentlemen. My name is John G. Reed, Jr. I am Vice President, International of the Archer Daniels Midland Co. of Decatur, Illinois. ADM is America's largest publicly-owned exporter of grains, grain products, oilseeds, and oilseed products. ADM is also America's largest processor of grains and oilseeds, with a total processing capacity of 2.5 million bushels per day.

ADM adds value to the American farmers' output through processing--creating more demand for our agricultural products both at home and abroad. Value-added commodities processed by ADM--such as wheat flour from wheat, soybean meal and oil from soybeans, and corn gluten feed from corn--are marketed by ADM worldwide. We at ADM have a large stake in U.S. agricultural trade and export policy and we are keenly aware when the international trading system for agricultural products is not working freely, fairly, or well.

Today is such a time. World agricultural trade is beset by a creeping protectionism and can hardly be called free. Foreign subsidies force the U.S. agricultural processor and exporter out of historically important markets and cannot be called fair.

CRUSHING INTERNATIONAL DEBT BURDENS IN THE DEVELOPING WORLD UNDERSCORE BOTH THE NEED FOR AMERICAN AGRICULTURAL ABUNDANCE AND THE DIFFICULTY IN PAYING FOR IT. ALL IS NOT WELL ON THE AGRICULTURAL TRADING SCENE.

TO ILLUSTRATE THE SITUATION IN A COMMODITY SPECIFIC CONTEXT, I WOULD LIKE TO FOCUS THE COMMITTEE'S ATTENTION ON WHAT HAS BEEN HAPPENING TO THE U.S. SOYBEAN COMPLEX IN WORLD MARKETS. I CAN SPEAK WITH SOME AUTHORITY ON THE SUBJECT SINCE I SERVE AS CHAIRMAN OF THE NATIONAL SOYBEAN PROCESSORS ASSOCIATION'S INTERNATIONAL TRADE POLICY COMMITTEE.

ALTHOUGH THE SOYBEAN COMPLEX REPRESENTS AMERICA'S LARGEST AGRICULTURAL EXPORT COMMODITY GROUP AT APPROXIMATELY $8 BILLION PER YEAR, AMERICA'S SHARE OF WORLD MARKETS FOR SOYBEAN MEAL AND SOYBEAN OIL HAS DECLINED BY MORE THAN 40% SINCE THE MID 1970'S. GIVEN THE IMPORTANCE OF VALUE-ADDED AGRICULTURAL EXPORTS TO INCREASED U.S. EMPLOYMENT, PERSONAL INCOME, AND FEDERAL TAX REVENUES, THE U.S. PROCESSORS' LOSS OF WORLD MARKET SHARE HAS ALSO BEEN A PROFOUND LOSS TO THE U.S. ECONOMY.

THE EFFECTS OF THIS LOSS BEGAN TO BE FELT MARKEDLY IN THE U.S. THREE YEARS AGO. NSPA UNDERTOOK A GLOBAL REVIEW OF WORLD TRADING CONDITIONS IN THE OILSEEDS, OILMEALS, OILS AND FATS COMPLEX TO ASCERTAIN WHAT WAS HAPPENING AND WHY. THE RESULTS OF NSPA'S REVIEW, PUBLISHED IN 1982 AS AN NSPA WHITE PAPER, REVEALED A COMPLEX MATRIX OF SUBSIDIES THROUGHOUT THE WORLD OILSEED ECONOMY WHICH OPERATED TO UNDERMINE U.S. EXPORT PERFORMANCE.

In an effort to remedy the situation, NSPA filed a global complaint against the subsidy practices of Brazil, Argentina, Spain, Portugal, Malaysia, and Canada with the U.S. Trade Representative's Office, pursuant to Section 301 of the Trade Act of 1974. The industry is now in the second year of this proceeding with only a few encouraging results. Although our government could have pursued creative and innovative approaches to resolve the problems raised by the NSPA petition--such as a multilateral, sectoral negotiation to restore free trade conditions to the world oilseeds, oilmeals, oils and fats economy--the global web of subsidization described by the industry in its complaint was divided into a series of discreet country-by-country cases.

In the case of the U.S. industry's two largest competitors--Brazil and Argentina--NSPA's complaint was further subdivided into portions pursued within the GATT process and those portions pursued bilaterally. Unfortunately, pursuing individual parts of a problem does not necessarily yield a resolution of the whole. The government's approach to NSPA's Section 301 petition is only symptomatic, however, of a much larger problem afflicting U.S. agricultural trade and export policy; simply stated, U.S. agricultural trade and export policy is, for the most part, reactive and ad hoc.

IT IS VERY CLEAR THAT THE UNITED STATES DOES NOT HAVE A COHERENT AGRICULTURAL TRADE AND EXPORT POLICY. IT IS ALSO EQUALLY CLEAR THAT SUCH A COHERENT POLICY IS VERY BADLY NEEDED. THIS IS TRUE FOR THE SOYBEAN PROCESSING INDUSTRY--WHICH HAS JUST BARELY SURVIVED THREE YEARS OF REDUCED VOLUME AND EXTREMELY POOR CRUSHING MARGINS--AND IS ALSO GENERALLY TRUE FOR ALL AMERICAN AGRICULTURE. INDEED, POLICIES OF RETRENCHMENT, SUCH AS THE "PAYMENT-IN-KIND" OR "PIK" PROGRAM, COUPLED WITH MISTAKEN EXPORT CONTROL POLICIES SUCH AS THE 1980 EMBARGO, HAVE RESULTED IN THE UNITED STATES BECOMING A RESIDUAL SUPPLIER OF WORLD DEMAND FOR KEY AGRICULTURAL COMMODITIES. CONTINUED INCOHERENT POLICY WILL ACCENTUATE THIS TREND.

A COHERENT AGRICULTURAL TRADE AND EXPORT POLICY WOULD PLACE MAJOR EMPHASIS ON INCREASING THE UNITED STATES' MARKET SHARE FOR VALUE-ADDED AGRICULTURAL EXPORTS SUCH AS SOYBEAN OIL, SOYBEAN MEAL, WHEAT FLOUR, AND CORN GLUTEN FEED. IT IS WELL DOCUMENTED BY THE U.S. DEPARTMENT OF AGRICULTURE THAT ADDING VALUE TO RAW AGRICULTURAL COMMODITIES NOT ONLY INCREASES U.S. EMPLOYMENT AND PERSONAL INCOME, BUT ALSO INCREASES U.S. EXPORT INCOME, GROSS DOMESTIC PRODUCT, AND FEDERAL TAX REVENUES. IN A TIME OF DISTURBING FEDERAL BUDGET DEFICITS, THIS LATTER POINT CANNOT BE IGNORED.

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A COHERENT AGRICULTURAL TRADE AND EXPORT POLICY WOULD REQUIRE U.S. TRADE NEGOTIATORS WHO EXAMINE INTERNATIONAL COMPETITIVE SITUATIONS FOR U.S. AGRICULTURAL PRODUCTS IN THEIR CONCRETE GLOBAL MARKET CONTEXT, RATHER THAN ON AN ISOLATED, PIECEMEAL BASIS. IF A PROBLEM IS GLOBAL IN NATURE AND DEMANDS A MULTILATERAL, SECTORAL APPROACH FOR AN ENTIRE COMMODITY COMPLEX IN ORDER TO PROTECT THE U.S. POSITION IN WORLD MARKETS, THEN GLOBAL, MULTILATERAL, SECTORAL APPROACHES SHOULD BE PURSUED.

ADM BELIEVES THAT THE COMMISSION PROPOSED BY SENATE JOINT RESOLUTION 319 AT SENATOR DOLE'S INITIATIVE IS AN EXCELLENT START TOWARDS A UNIFIED, COHERENT AGRICULTURAL TRADE AND EXPORT POLICY. THE TIMING IS GOOD, PROVIDED THE COMMISSION IS SPEEDILY ESTABLISHED , PROPERLY STAFFED, AND GETS TO WORK IMMEDIATELY, SINCE IT IS SUFFICIENTLY IN ADVANCE OF DELIBERATIONS ON THE 1985 FARM BILL FOR THE COMMISSION'S FINDINGS, IF APPROPRIATE, TO BE INCORPORATED IN BASIC AGRICULTURAL POLICY LEGISLATION.

IN ADDITION, THE COMPLEXITY AND PERVASIVE NATURE OF THE PROBLEMS AFFLICING THE AMERICAN AGRICULTURAL COMMUNITY DEMAND THAT THIS COUNTRY BRING THE BEST AND BRIGHTEST OF ITS AGRICULTURAL LEADERS TOGETHER TO FIND WAYS AND MEANS OF ENLARGING THE AGRICULTURAL EXPORT PIE, RATHER THAN MERELY WAYS OF RESLICING IT. THE GUIDING PRINCIPLE OF THE COMMISSION'S WORK SHOULD BE THE CREATION OF ADDITIONALITY OF DEMAND FOR AMERICAN AGRICULTURAL EXPORTS. ONE OF THE BEST WAYS TO ACCOMPLISH THIS IS TO PLACE INCREASED EMPHASIS ON VALUE-ADDED AGRICULTURAL EXPORTS.

AT THE OUTSET, I ALLUDED TO THE INTERNATIONAL DEBT SITUATION IN THE DEVELOPING WORLD. ADM AND THE SOYBEAN PROCESSING INDUSTRY GENERALLY VIEWS THE DEVELOPING WORLD AS THE MOST IMPORTANT LONG-TERM GROWTH MARKET FOR OUR EXPORTS. HOWEVER, IN VIEW OF THE FRAGILITY OF DEVELOPING COUNTRIES ECONOMIES, IT WILL BE NECESSARY FOR THE UNITED STATES TO OFFER INCREASED CONCESSIONAL ASSISTANCE TO SPUR ECONOMIC DEVELOPMENT ABROAD.

THIS CONCESSIONAL ASSISTANCE CAN TAKE THE FORM OF INCREASED PUBLIC LAW 480 SALES OF SOYBEAN OIL, AND OTHER VALUE-ADDED AGRICULTURAL PRODUCTS FROM THE U.S., AS WELL AS GSM-102 CREDIT GUARANTEES. THE "FOOD FOR DEVELOPMENT" COMPONENTS OF P.L. 480 SHOULD BE ENHANCED. INDEED, WITHOUT AN IMPROVED SITUATION IN THE DEVELOPING COUNTRIES, U.S. EXPORT GROWTH WILL CONTINUE TO BE STYMIED. THE DEVELOPING WORLD WILL BE UNABLE TO BUY OUR PRODUCTS--HOWEVER DESPERATELY THEY MAY NEED THEM.

SENATOR PERCY, WE AT ADM WOULD LIKE TO FULFILL OUR FULL POTENTIAL AS A VITAL LINK IN THE FOOD CHAIN--AS PURCHASERS, PROCESSORS, TRANSPORTERS, AND MARKETERS OF AMERICA'S AGRICULTURAL ABUNDANCE TO WORLD MARKETS. IF THE NATIONAL COMMISSION ON AGRICULTURAL TRADE AND EXPORT POLICY IS ESTABLISHED, WE AT ADM WILL DO OUR FULL PART AND PAY OUR FAIR SHARE TO SEE THAT THE COMMISSION'S WORK SUCCEEDS. THE TIME IS RIGHT FOR A COHERENT AGRICULTURAL TRADE AND EXPORT POLICY FOR THE UNITED STATES AND OUR EFFORTS TOWARD THAT END ARE LONG PAST DUE. ADM STRONGLY SUPPORTS SENATE JOINT RESOLUTION 319.

We also support the provisions of House Joint Resolution 600, as approved by the House Agriculture Committee last Tuesday, which limits single, private contributions to 5% of the Commission budget, and which authorized the use of Commodity Credit Corporation funds if necessary. We also recommend that consideration be given to accelerating the due date for the final report to July 1, 1985.

Thank you, Senator Percy, for the opportunity to appear here today. I will be happy to respond to any questions you may have.

Senator PERCY. I want to thank all of our witnesses today for being with us. I will confer with Senator Roth and I do want to insert at this point in the record a statement from Senator Pryor, a member of this committee. Senator Pryor, of Arkansas, has been very concerned about the loss of poultry exports from his State to overseas farmers.

Additionally, I would like to submit statements from the chairman and ranking Democrat on the Foreign Agricultural Subcommittee, the Agriculture Committee, Senator Rudy Boschwitz, and my colleague Senator Alan Dixon of Illinois. I also have a statement of Senator Walter Huddleston, ranking Democrat on the Senate Agriculture Committee. All of those will be incorporated in the record at this point.

[The statements referred to follow:]

STATEMENT OF SENATOR DAVID H. PRYOR

Mr. Chairman, I'm very glad you've called this hearing today to examine agricultural trade policy, and to receive testimony on Senate Joint Resolution 319, a resolution establishing the Agricultural Trade and Export Policy Commission. I support this legislation, and I commend its sponsors for their efforts. Earlier in the year, on May 10, 1984, I introduced S. 2655, a bill that would require an agricultural trade report along the lines of that contained in S. J. Res. 319, and the report would have to be completed by February 1, 1985. My reason for introducing the bill is the same as that of the sponsors of the bill before us today—to provide the Congress, and in particular the agriculture and trade committees, with more information on our exports and the overall trade issues confronting us. I've often felt that we legislate without knowing precisely what the overall situation is, and this is particularly true when it comes to trade, and agricultural export issues. Markets are changing rapidly, and frequently countries institute new policies that must be dealt with. It's for this reason that I introduced my bill.

Mr. Chairman, many of the things set out in the resolution before the committee are contained in the legislation I introduced. The agriculture and trade committees need to know our programs that are in place to enhance our trade posture; how they are working; what other countries are doing; what barriers our products face in world markets; and what other options should be considered. I think it's especially important that we know these things prior to the consideration of the omnibus farm bill that we must consider next year. Exports, and our trade potential will receive increasing attention, and the information that will be furnished in the report will be very helpful to the Agriculture Committees. Additionally, the committees in the House and Senate that are responsible for drafting our trade laws would find this study very useful.

Mr. Chairman, it seems that we're all headed in the same direction. Although my legislation (S. 2655) is slightly different, I'm very pleased that we will be able to do something in this area. I commend the sponsors, Senator Dole and Senator Huddleston. I support them in this effort as we work to increase our exports, and provide our nation's farmers with more income through improved market opportunities.

I hope we can act promptly on this measure, and since the House has reported its version of this bill, H.J. Res. 600, I think the prospects for early action are excellent.

Again, I commend you for holding this hearing, and I look forward to the testimony we're going to hear.

STATEMENT OF SENATOR RUDY BOSCHWITZ

The importance of agriculture to our country's economy is difficult to overstate. Agriculture is our nation's largest singe industry—accounting for about 20 percent of the United States' gross national product (GNP) and employing more than 23 million persons.

The economic well-being of our agricultural sector has been greatly hurt in the last several years by declining exports. The effects of this damage have rippled through all segments of our society and have resulted in large budget outlays to deal with agricultural surpluses.

Between 1981 and 1983, our agricultural exports fell by 20 percent—from $44 billion to 34.7 billion. This was due to several factors—Worldwide recession was combined during these years with a strong American dollar. Furthermore, some countries have subsidized their ag exports to such a degree that our products can't possibly compete with their artificially low prices.

I am hopeful that conditions will improve for America's agricultural export trade. The value of the dollar may well come down and the continued growth of the U.S. economy should help spur worldwide economic recovery. However, in spite of the huge cost to its budget, the European Community seems unwilling to cut back on its use of aggressive export subsidy programs. My optimism does not extend to believing that EC policies will be changed overnight or that a booming agricultural export boost will be handed to us on a platter. Many ideas have been offered for dealing with the export situation, but so far no consensus has developed on which approach is best.

In an effort to develop that consensus, several agricultural organizations and companies have called for the establishment of a national commission to study long-range agricultural export policy. This commission would make recommendation on how to improve our present policies so that we can become competitive in the world market once again.

I have cosponsored the Senate bill (S.J. Res. 319) which would establish that commission. I feel that the commission might make it possible for Congress to set aside political differences and focus on programs that will look at broad agricultural issues instead of wrangling over parochial concerns. If this can be done, the commission will be successful, indeed.

STATEMENT OF SENATOR ALAN J. DIXON

Mr. Chairman, I would like to urge support for and encourage the passage of S.J. Res. 319 which establishes a Commission on Agricultural Trade and Export Policy.

Our agricultural economy depends upon our export market, since a major share of the total U.S. agricultural production is exported. The crops on nearly two out of every five acres planted in the United States move into our export market. The result is that many, if not most, American farmers are economically dependent upon expanding exports. However, instead of rising, exports are declining, with disastrous impacts on the farm community.

Agricultural exports totalled almost $44 billion in 1981, but declined to less than $37 billion in 1982, and to $34.8 billion in 1983. This is the first time since 1969 that exports have declined for two consecutive years. This drop in our exports can be attributed to the world recession, the strength of the U.S. dollar, the debt of many potential importers, the lingering effects of the Soviet grain embargo, and the use of subsidies and import barriers by many of our international competitors.

We in the Congress have addressed some of these issues. This year, during consideration of the Export Administration Act, the Senate adopted my amendments regarding agricultural embargoes. The amendments would:

(1) Prohibit the use of agricultural embargoes for national security reasons.

(2) Prohibit unnecessary restrictions on the export of agricultural products to any country for foreign policy reasons, unless the embargo is in conjunction with an across-the-board ban on all trade with a country, or unless Congress adopts a joint resolution approving the restrictions.

The Export Administration Act will insure that the agricultural sector of our economy will not be singled out to bear a disproportionate share of the burden of difficult foreign policy decisions. Its enactment can provide needed assurances to both the American farmer and our foreign customers that the United States intends to be a reliable supplier, and is committed to increasing agricultural exports.

Congress in 1982 passed legislation regarding contract sanctity. This legislation prohibits the imposition of any restrictions on the export of agricultural commodities which interfere with valid contracts entered into before the imposition of export controls, if the agricultural commodities are delivered within 270 days from the time controls are imposed.

This year, during consideration of H.R. 4072, the Agricultural Programs Adjustment Act of 1984, which froze target prices, we provided that a portion of the savings be used to expand and enhance exports.

The Omnibus Budget Reconciliation Act of 1982 provided for $175 to $190 million for export activities. This money was used to establish the "blended credit" program for financing U.S. agricultural exports. The Agricultural Appropations Act of 1983 provided for additional funds to be used for Commodity Credit Corporation direct export credits.

But we need to do more. The Commission can help in this regard.

The Commission established by this joint resolution would be composed of 10 members appointed by the Speaker of the House and 10 members appointed by the President pro tempore of the Senate. These 20 members will represent farmers, processors, refiners, exporters, suppliers, and farm organizations. Twelve members of the House and Senate will serve as ex officio members of the Commission. In addition, the President will appoint three Government officials as nonvoting members.

The Commission will be given two years to evaluate current policies and programs, and determine the international and domestic factors affecting our policies and programs. At the end of that time, the Commission will submit to us recommendations regarding current agricultural trade and export policies and programs. An interim report would be submitted on March 31, 1985.

The Commission will study: the effectiveness of our current export programs; whether new export programs are needed; the effectiveness of U.S. trade agreements; the practices of foreign countries that impede the U.S. agricultural exports; and current international economic trends that affect U.S. exports.

The work of this Commission will be beneficial as we write a comprehensive farm bill in 1985. Our export policies are a key ingredient of any sound farm program.

Mr. Chairman, we must develop a long term agricultural export and trade policy. Too often we react with short term policies. This Commission will play a vital role in helping us develop a long term agricultural export and trade policy for the 1980's and 1990's.

STATEMENT OF SENATOR WALTER D. HUDDLESTON

Mr. Chairman, I am pleased that you have convened this hearing to receive testimony on S.J. Res. 319, a resolution to establish a National Commission on Agricultural Trade and Export Policy.

Under the resolution, the Commission will perform a much-needed evaluation of agriculture-related trade and export policies, programs, and practices of the United States and make recommendations for improvements in those policies, programs, and practices to strengthen export markets for United States agricultural products.

EXPORT POLICIES AND PROGRAMS MUST BE IMPROVED

United States farmers are the most efficient and productive in the world, and our agricultural production and distribution system is one of the most important parts of the national economy. Any sustained economic recovery will depend on the health of our agricultural industry.

Exports are crucial to American agriculture. Foreign markets provide important outlets for our agricultural commodities and products. For many of these commodities and products, export sales are essential if farm prices are to be maintained at levels that cover costs of production.

In addition, our Nation's international trade system is highly dependent upon agricultural exports. Agriculture consistently produces a net balance of trade surplus and, in recent years, has contributed perhaps more than any other sector of our economy toward improving our overall balance of trade.

However, this year, for the fourth consecutive year, we are experiencing a disturbing decline in agriculture exports. It is anticipated that the volume of agricultural exports in fiscal year 1984 will be 142 million metric tons. This is 22 million tons less than the peak volume of 164 million tons in 1980.

The greatly reduced volume of shipments has weakened market prices for many agricultural commodities and decreased employment opportunities in the industries that process and transport farm products for the export trade.

The disastrous trend toward reduced agricultural exports must be reversed. Unfortunately, current agriculture-related trade and export policies and programs have not been effective in stemming this decline. Therefore, we must fashion new policies and programs that will maintain and expand markets for United States agricultural exports.

An important first step in that process is to evaluate current policies and programs and to isolate the international and domestic factors affecting those policies and programs. A thorough analysis and evaluation of agriculture-related trade and export policies and programs will be an extremely time-consuming process because the agricultural export trade is both huge and complex. It is essential that the work begin immediately. Therefore, I have worked with Senator Dole and other members of Congress, representatives of agricultural commodity groups, and others to develop this joint resolution to establish a National Commission on Agricultural Trade and Export Policy.

SCOPE OF COMMISSION WORK

The Commission will be given approximately two years to study the agriculture-related trade and export policies, programs, and practices of the United States and develop recommendations for consideration by the President and Congress on how U.S. agricultural exports can be developed, maintained, and expanded.

The Commission will be required to submit an initial report by March 31, 1985, and such additional interim reports as requested by Committees of Congress. The initial and interim reports will be useful in consideration of the 1985 farm legislation. The Commission's final report will be due on July 1, 1986.

Included among the areas that the Commission will study are: the effectiveness of existing agricultural export programs; new export programs that could be implemented; practices of foreign countries that impede the export of United States trade agreements program with respect to agriculture-related trade and exports; international economic trends that affect agricultural exports; potential conflicts between the agricultural export trade and foreign food assistance programs; and the relationship between the agricultural export trade and foreign economic development programs.

One of the most important areas that the Commission will be studying is the influence of the exccessive foreign exchange value of the dollar on agricultural export sales.

Between 1980 and 1983, the value of the dollar in terms of foreign currency increased by as much as 50 percent. Therefore, despite the lower market prices of U.S. agricultural commodities until recently, foreign purchasers did not have increased by as much as 50 percent. Therefore, despite the lower market prices of any price incentive for buying U.S. farm goods.

The high value of the dollars reflect the high interest rates that prevail in the United States. While nominal interest rates have declined from the record high levels of a few years ago, real interest rates remain very high.

Many maintain that U.S. interest rates will remain high because of the large Federal budget deficits and the Federal Reserve policy of slow growth of the money supply. It is now projected that the Federal budget deficit for this fiscal year will hit $170 billion, and most economists predict annual deficits of a comparable magnitude for the foreseeable future. These forces will contribute to maintaining the foreign currency value of the dollar at a high level, which could depress the prospects for foreign purchases of U.S. agricultural products.

The commission will be in a position to objectively evaluate the influence of the distortion in exchange rates on agricultural exports and provide Congress with a comprehensive set of recommendations concerning actions that can ameliorate the situation.

Also, I am hopeful that the Commission will provide Congress and the President with a comprehensive review of past Government actions under programs designed to increase agricultural export sales.

That review, accompanied by the Commission's analysis of why some efforts have succeeded and others have failed and its recommendations as to needed changes in the programs or their administration, will provide a sound basis for the development of effective, long-term agricultural trade policies.

OPERATION OF THE COMMISSION

Under the resolution, the Commission will be composed of 35 members. The President will select three government officials to serve as ex officio members without voting rights. The Speaker of the House of Representatives and the President pro tempore of the Senate will each select 10 private citizens to serve as representatives of farmers and the industries that are directly affected by U.S. agriculture-related trade and export policies, programs, and practices.

The chairmen and ranking minority members of the House Committees on Agriculture, Foreign Affairs, and Ways and Means and the Senate Committees on Agriculture, Nutrition, and Forestry, Foreign Relations, and Finance will serve as ex officio members of the Commission and will have the same voting rights as the private-sector members of the Commission. The chairmen and ranking minority members will be authorized to designate other members of their committees to serve in their stead on the Commission.

In developing this legislation, we were mindful of the current budgetary restraints on the Federal Government. Therefore, the resolution provides that the members of the Commission will serve without compensation and that the cost of operating the Commission will be funded through contributions from the private sector.

If adequate funds are available in advance from these contributions, the Commission could employ a director and any additional staff necessary to assist it in the performance of its duties and functions. These funds would also be used to pay travel, per diem, and other expenses of the Commission.

Additional support personnel and services to assist the Commission would be available from the Department of Agriculture and other Government agencies. Also, the Executive agencies, the International Trade Commission, the General Accounting Office, and the Congressional Budget Office would provide, to the extent permitted by law, information to assist the Commission in its work.

CONCLUSION

Mr. Chairman, the data showing the recent decline in our Nation's agricultural export industry provide forceful evidence of the need for changes in our agricultural trade and export policies, programs, and practices.

The National Commission on Agricultural Trade and Export Policy to be established under the resolution will lay the foundation for a productive revision of those policies, programs, and practices.

I strongly urge favorable action by your committee on the resolution so that we may proceed with its prompt enactment.

Senator PERCY. Again, I want to thank you. I want to thank Chairman Roth for his full support and cooperation on helping us get this resolution to the Senate floor before the August recess, which begins a week from today. The agriculture community is anxious to get this resolution enacted into law. Certainly, every Senator who has appeared today is anxious to do so. We are all members of the leadership. We will try to move this forward as rapidly as we possibly can so we can see that members are appointed early this fall and get underway and have their work done before we consider the agriculture bill for 1985.

Again, I thank you. The committee is adjourned.

[Whereupon, at 11:42 a.m., the committee adjourned.]

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

98TH CONGRESS
2D SESSION

S. J. RES. 319

To amend the Agriculture and Food Act of 1981 to provide for the establishment of a commission to study and make recommendations concerning agriculture-related trade and export policies, programs, and practices of the United States.

IN THE SENATE OF THE UNITED STATES

JUNE 21 (legislative day, JUNE 11), 1984

Mr. DOLE (for himself, Mr. HUDDLESTON, Mr. HELMS, Mr. DIXON, Mr. BOSCHWITZ, Mr. LEAHY, Mr. COCHRAN, Mr. ZORINSKY, Mr. JEPSEN, Mr. BOREN, Mr. ANDREWS, Mr. HEFLIN, Mrs. KASSEBAUM, and Mr. KASTEN) introduced the following joint resolution; which was read twice and referred to the Committee on Government Affairs

JOINT RESOLUTION

To amend the Agriculture and Food Act of 1981 to provide for the establishment of a commission to study and make recommendations concerning agriculture-related trade and export policies, programs, and practices of the United States.

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That title XII of the Agriculture and Food Act of 1981 is amended by inserting after subtitle B a new subtitle C as follows:

"SUBTITLE C—AGRICULTURAL TRADE AND EXPORT POLICY COMMISSION ACT

"SHORT TITLE

"SEC. 1217. This subtitle may be cited as the 'Agricultural Trade and Export Policy Commission Act'.

"FINDINGS AND DECLARATION OF POLICY

"SEC. 1218. (a) Congress finds that—

"(1) the economic well-being of the Nation's agricultural industry is directly related to its ability to compete in international markets; and

"(2) a thorough examination of agriculture-related trade and export policies, programs, and practices of the United States is needed to ensure that such policies, programs, and practices increase the competitiveness of United States agricultural commodities and products in international markets.

"(b) It is hereby declared to be the policy of Congress to expand international trade in United States agricultural commodities and products and to develop, maintain, and expand markets for United States agricultural exports.

"ESTABLISHMENT

"SEC. 1219. (a) There is established a National Commission on Agricultural Trade and Export Policy to conduct a study of the agriculture-related trade and export policies, programs, and practices of the United States.

"(b) In addition to the ex officio congressional members specified in subsection (c) of this section, the Commission shall be composed of twenty-three members appointed or designated by the President and selected as follows:

"(1) The President shall select three members from among officers or employees of the executive branch who shall serve in an ex officio capacity without voting rights; and

"(2) The President pro tempore of the Senate and the Speaker of the House of Representatives shall each select ten members from among private citizens of the United States to represent industries that are directly affected by agriculture-related trade and export policies, programs, and practices of the United States, including, but not limited to, the following:

"(A) producers of major agricultural commodities in the United States;

"(B) processors and refiners of United States agricultural commodities;

"(C) exporters, transporters, and shippers of United States agricultural commodities and products to foreign countries;

"(D) suppliers of production equipment and materials to United States farmers;

"(E) providers of financing and credit for domestic and export agricultural purposes; and

"(F) organizations representing general farm and rural interests in the United States.

"(c) The chairmen and ranking minority members of the House Committee on Agriculture, the Senate Committee on Agriculture, Nutrition, and Forestry, the House Committee on Foreign Affairs, the Senate Committee on Foreign Relations, the House Committee on Ways and Means, and the Senate Committee on Finance shall serve as ex officio members of the Commission and shall have the same voting rights as the members of the Commission selected and appointed under the provisions of subsection (b)(2) of this section. The chairmen and ranking minority members may designate other members of their respective committees to serve in their stead as members of the Commission.

"(d) A vacancy in the Commission shall be filled in the manner in which the original appointment was made.

"(e) The Commission shall elect a chairman from among the members of the Commission who are selected and appointed under the provisions of subsection (b)(2) of this section.

"(f) The Commission shall meet at the call of the chairman or a majority of the Commission.

"CONDUCT OF STUDY

"SEC. 1220. The Commission shall study the agriculture-related trade and export policies, programs, and practices of the United States and the international and domestic factors affecting such policies, programs, and practices, including the intergovermental activities of the United States that affect the formulation of policies. In conducting the study, the Commission shall consider the following:

"(1) the effectiveness of existing agricultural export assistance programs, and the manner in which they can be improved;

"(2) new export assistance programs that should be considered, and the conditions under which they can be implemented;

"(3) practices of foreign countries that impede the export of United States agricultural commodities and products, and appropriate responses for the United States;

"(4) the effectiveness of the trade agreements program of the United States with respect to agriculture-related trade and exports, and the manner in which it can be improved;

"(5) international economic trends that affect agricultural exports, and the manner in which the United

States can best adjust its policies, programs, and practices to meet changing economic conditions;

"(6) potential areas of conflict and compatibility between international agricultural trade and foreign food assistance programs, and the manner in which any conflict can be resolved; and

"(7) the relationship between international agricultural trade and foreign economic development programs, and the manner in which they can be made more compatible.

"RECOMMENDATIONS AND REPORTS

"SEC. 1221. (a) On the basis of its study, the Commission shall make findings and develop recommendations for consideration by the President and Congress with respect to the agriculture-related trade and export policies, programs, and practices of the United States, and the manner in which such policies, programs, and practices can be improved to better develop, maintain, and expand markets for United States agricultural exports.

"(b) The Commission shall submit to the President and Congress—

"(1) a report containing its initial findings and recommendations by March 31, 1985,

"(2) such additional interim reports on its work as may be requested by the chairman of any of the committees set forth in section 1219(c) of this subtitle, and

"(3) a report containing the final results of its study and its recommendations therefrom by July 1, 1986.

"ADMINISTRATION

"SEC. 1222. (a) The heads of executive agencies, the General Accounting Office, the International Trade Commission, and the Congressional Budget Office shall, to the extent permitted by law, provide the Commission such information as it may require in carrying out its duties and functions.

"(b) Members of the Commission shall serve without any additional compensation for work on the Commission. However, members appointed from among private citizens of the United States may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by law for persons serving intermittently in the Government service under sections 5701 through 5707 of title 5, United States Code.

"(c) To the extent there are sufficient funds available to the Commission in advance under section 1223 of this subtitle, and subject to such rules as may be adopted by the Commission, the chairman, without regard to the provisions of title 5, United States Code, governing appointments in the competitive service and without regard to the provisions of chapter 51 and subchapter III of chapter 53 of such title relating to classification and General Schedule pay rates, shall have the power to—

"(1) appoint and fix the compensation of a director; and

"(2) appoint and fix the compensation of such additional staff personnel as the Commission determines necessary to carry out its duties and functions.

"(d) Upon request of the Commission, the Secretary of Agriculture shall furnish the Commission with such personnel and support services as are necessary to assist the Commission in carrying out its duties and functions.

"(e) Upon request of the Commission, the heads of other executive agencies and the General Accounting Office are each authorized to furnish the Commission with such personnel and support services as the head of the agency or office and the chairman of the Commission agree are necessary to assist the Commission in carrying out its duties and functions.

"(f) The Commission shall not be required to pay or reimburse any agency or office for personnel and support services provided under this section.

"(g) In accordance with section 12 of the Federal Advisory Committee Act, the Secretary of Agriculture shall maintain such financial records as will fully disclose the disposition of any funds that may be at the disposal of the Commission and the nature and extent of its activities, and the Comptroller General of the United States, or any of the

Comptroller General's authorized representatives, shall have access to such records for the purpose of audit and examination.

"(h) The Commission shall be exempt from section 7(d), section 10(e), section 10(f), and section 14 of the Federal Advisory Committee Act.

"(i) The Commission shall be exempt from the requirements of sections 4301 through 4308 of title 5, United States Code.

"PUBLIC SUPPORT

"SEC. 1223. (a) Notwithstanding the provisions of section 1342 of title 31, United States Code, the Secretary of Agriculture may receive, from persons, corporations, foundations, and all other groups and entities within the United States, contributions of money and services to assist the Commission in carrying out its duties and functions. Any money contributed under this section shall be available to the Commission for the payment of salaries, travel expenses, per diem, and other expenses incurred by the Commission under this subtitle.

"(b) The Secretary of Agriculture shall keep, and shall make available for public inspection during normal business hours, records that fully disclose a complete list of every person, group, and entity making a contribution under this section, the address of the contributor, the amount and type

of each such contribution, and the date the contribution was made.

"(c) Any amount of money available to the Commission under this section that remains unobligated upon termination of the Commission shall be deposited in the Treasury as miscellaneous receipts.

"TERMINATION

"SEC. 1224. The Commission shall terminate sixty days after the transmission of its final report to the President and Congress.".

Interfaith Action for Economic Justice

Members of **Interfaith Action for Economic Justice** are the mission boards or program units of national religious agencies working together for just and effective US food and agriculture, health and human services, and development and economic policies.

American Baptist Churches, USA
American Lutheran Church
Baptist Joint Committee on Public Affairs
Bread for the World
Center of Concern
Christian Church (Disciples of Christ)
Christian Life Commission of the Southern Baptist Convention
Church of the Brethren
Episcopal Church
Friends Committee on National Legislation
Jesuit Social Ministries
Lutheran Church in America
Lutheran Church-Missouri Synod
Maryknoll Fathers and Brothers
Moravian Church in America
National Council of Churches of Christ: Church World Service Network
Presbyterian Church (USA)
Reformed Church in America
Union of American Hebrew Congregations
Unitarian Universalist Association
Unitarian Universalist Service Committee
United Church of Christ
United Methodist Church
World Hunger Education Service

Interfaith Action for Economic Justice, continuing the work of the Interreligious Taskforce on US Food Policy, speaks for itself and not its member agencies.

Paul Kittlaus
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Chair

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Statement Prepared for the
Committee on Governmental Affairs
US Senate

August 3, 1984

AGRICULTURAL TRADE POLICY REEXAMINED

Interfaith Action for Economic Justice is a coalition of 25 national Protestant, Jewish, Roman Catholic and ecumenical agencies that work together to achieve more just US health and human services, food, development and economic policies, particularly as they affect poor people. Organized in 1975 as the Interreligious Taskforce on US Food Policy, Interfaith Action speaks for itself and not for its member agencies.

Interfaith Action advocates a system of agriculture based on family farms, in which diversity and productivity are maintained. This, we believe, is the central feature of an economically resiliant and environmentally sound food system. We also support self-reliant development in Third World nations. Agricultural trade policies have a major impact on both.

Few serious investigations have dealt with the impacts of agricultural trade on the structure of US agriculture or Third World development. Trade policy should be developed from a full understanding of the impact of trade on our own economy and on those of our trading partners, especially in the Third World. SJ Res 319 would establish a commission to study agricultural trade policy but mandate that the commission concentrate efforts on increasing the competitiveness of US farm products in world markets.

Focusing on competitiveness, exclusive of other relevant factors, may prove counterproductive to important national goals, such as preserving the family farm or permanently reducing world hunger. Trade is a tool through which these and other national goals may be advanced, but only if trade policies are based on a thorough consideration of its potential impacts both here and abroad. In our view, the terms and conditions of agricultural trade should reflect national goals for our own food system and our commitment to Third World development and the alleviation of hunger.

We believe this commission, if initiated, should fully reexamine agricultural trade policy from the perspectives outlined below. A coherent, comprehensive approach to trade policy is necessary to ensure that we enjoy the benefits of trade without jeopardizing important national goals. In our view, SJ Res 319 will require significant revisions to make the bill supportable.

US Agricultural Trade

During the past decade, agricultural trade has become an integral part of the US agricultural economy and a crucial part of the food economies of many other nations and of the world's food system. During the most recent boom in world agricultural trade, as the US captured a large share of the world market, the US agricultural economy made the transition from a domestic to an internationally based sector.

Major readjustments in the production, distribution and marketing of agricultural commodities have been and continue to be made. Agriculture Secretary John Block has observed, "We've come a long way from the days when it didn't make a lot of difference what individual countries did in their separate agricultural systems, the days when crops rarely crossed the country line, much less the ocean. Today, we operate in a global system. We have watched the politics of food--embargoes, quotas, and hunger face to face with plenty--become an issue of global concern." Some 45 percent of the increase in worldwide demand for cereal grains has come from developing countries. As food importers, they, too, have had to readjust to internationally based food economies.

After 1981, the volume of world agricultural trade began to taper off. Due to the overall reduction in world trade and the increase in the value of the dollar, the value of US agricultural exports has dropped from $44 billion in 1981 to $33 billion in 1983. US policy, especially agricultural and trade policy, must be adjusted to meet the new realities of the world market.

Trade Policy

If approved, SJ Res 319 would declare Congress intends to "expand international trade in US agricultural commodities and products and to develop, maintain, and expand markets for US agricultural exports." We believe a policy pronouncement of this nature is inappropriate because it may prove inconsistent, in various situations, with the other goals of US policy. Trade in agricultural products is a mechanism through which selected policy goals may be partially achieved (e.g., fair incomes for farmers, better balance of payments) but should not become an objective in itself. In our view, trade expansion should be undertaken only in a manner consistent with the goals of US domestic food and agricultural policy and economic development objectives overseas.

Commission on Agricultural Trade

SJ Res 319 would establish a commission to examine US agricultural trade policy "to ensure that policies, programs, and practices increase the competitiveness of United States agricultural commodities and products in international markets." While competitiveness is of major concern, we believe this focus is too narrow. The commission should also examine equally weighty issues such as the impact of agricultural trade on farm structure, the resource base, consumer prices or agricultural development in the Third World.

In our view, while the impact of exports on US agriculture has been generally positive, few studies have explored possible negative aspects of trade or attempted to weigh the costs and benefits involved. While we believe that the benefits of trade do, ultimately, outweigh its costs, we also believe reviewing the issues more inclusively would result in the charting of wiser directions for future US export policy.

While the production decisions of US farmers should be guided by long term market conditions, the effects of integration into world markets on US domestic market stability should be explored. Short term instability may distort investment decisions, result in poor resource management, and cause difficulties for beginning or limited resource farmers who work from a less secure financial base. Policies designed only to increase trade competitiveness are likely to result in further destabilization of agricultural commodity markets. We believe the US should, to the maximum extent feasible, seek long term, stable trade relationships.

Furthermore, although the bill directs commission members to study the relationship between agricultural trade and foreign economic development programs, SJ Res 319 does not mandate a commission member with Third World development expertise. Further expansion of agricultural trade with developing countries depends largely on equitable economic development that transforms human need into economic demand at all levels of society.

We must insure that US trade policy in no way disrupts agricultural development in the Third World. Experience indicates that as developing countries grow more of their own food, the accompanying economic growth increases their long term value as trading partners. In the long term, we believe, trade policies that emphasize a greater commitment to equitable economic development will raise Third World living standards and create greater trade opportunites for US farmers.

All current US export promotion activities, including concessional sales under Title I of PL 480, credit guarantees and direct and blended credit programs (combined use of credit guarantees and direct credits) should be examined for their impact on development. Special attention should be given to long term evolution of PL 480 toward humanitarian and developmental uses. In light of other export credit and trade expansion mechanisms now available, we believe there is merit in more tightly focusing PL 480 on humanitarian purposes.

In summary, the proposed commission should undertake a more comprehensive study of agricultural trade. The US should not only attempt to increase competitiveness in world trade but should also determine how trade affects us and our trading partners, especially developing nations. At home, trade policies should be scrutinized for their effect on resource conservation objectives and stated congressional intent to preserve the family farm. Overseas, special attention should be given to the impact of trade expansion and promotion ectivities on agricultural development in the Third World. In general, the possiblities of closer international cooperation in trade should be more fully investigated.

Moreover, the commission membership should be broadened, as mentioned above. We also suggest that an expert on land use/conservation issues be named to the commission. In our view, a diverse commission is crucial to balanced and far-sighted recommendations.

Without these revisions, a commission to study agricultural trade is of questionable value. We believe its recommendations would fail to suggest coherent, comprehensive trade policies that promote long range national goals. An agenda and membership broadened to reflect issues cited above would greatly enhance the commission's usefulness and, in our view, make SJ Res 319 supportable.

Thank you for your consideration of our views.

Testimony of the National Association of Wheat Growers
Before the
Senate Governmental Affairs Committee
August 3, 1984

Mr. Chairman, Members of the Committee:

This Committee has shown its commitment to, and understanding of, the need of this nation and the American farmer to export by scheduling these hearings on S.J. Res. 319 so promptly in order to examine the concept of a special export commission. The National Association of Wheat Growers (NAWG) represents wheat producers in the sixteen principal wheat producing states.

Each of you are aware of the importance of exports to the wheat grower and the nation. During 1982-83, growers exported 54 percent of their wheat crop, (1.5 billion bushels) the equivalent of 42 million acres of production. This far exceeds the export percentage of other major U.S. crops. But recent sales are well below the highest level reported in 1981-82 when 1.771 billion bushels of wheat were exported. Projections for 1984-85 indicate an export volume of 1.350 billion bushels, the lowest since 1978-79. With such a large share of U.S. wheat moving into international channels, the linkage between the farmer's livelihood and world markets is obvious.

NAWG believes that five major factors influence America's market share and our absolute level of exports. They are: the value of the U.S. dollar; the economic strength of our trading partners; unfair trade practices of our competitors; political decisions; and legislative actions.

One obvious cause of the trade deficit is the relative value of the U.S. dollar. The dollar will cause U.S. imports to reach a projected level of $300 billion in 1984, up from approximately $265 billion in 1983. What has the dollar meant to agricultural trade and employment? A recent report by Wharton Econometric Forecasting finds that a 10 percent increase in the value of the dollar reduces wheat exports by three percent, corn exports by 3.7 percent, and soybean exports by 7.7 percent. The U.S. Department of Agriculture estimates that the rise in the value of the dollar in 1981 and 1982 reduced the value of U.S. agricultural exports by $3 billion, or about 16 million tons. Lost export sales have cost this nation about 1.5 million jobs. The marketing difficulties caused by the value of the dollar translate into lower farm prices and higher program costs for the government.

The National Association of Wheat Growers has conducted its own study of the effects of the dollar's value on wheat exports and I would be happy to see that the committee receives a copy.

Certainly the economic difficulties faced by many of our trading partners have caused them to reduce purchases of U.S. agricultural products. The American people, and the government, must be aware that countries need United States markets in order to obtain the capital to purchase oour products. In addition, a reduction in the value of the dollar would assist many of these nations in cutting the large payments on their international debt.

Unfair competition and export subsidies by the European Community, and their related budget problems, have recently received a large amount of press attention. American farmers have two major concerns about the EC policies. First, export subsidies have cost the U.S. markets. The second is the possible taxation of imported American agricultural products to underwrite the cost of the EC farm budget. Neither of these actions is acceptable to U.S. producers.

Political decisions, totally beyond the control of farmers and their elected representatives, can be devastating. The past grain embargoes and their adverse affects upon farmers and the nation are well documented.

In addition, legislative actions have also hindered U.S. exports. The most vivid example is the cargo preference requirements which increase shipping costs and hinder market development.

Shipping on U.S.-flag vessles can cost anywhere from 100 to 300 percent more than on a foreign flag vessel. A Chase Econometrics study, using transportation costs data supplied by USDA, shows that the total cargo preference costs to Title I and Title III of the P.L. 480 program was $93.4 million for fiscal years 1980 and 1981. The average cost of shipping on U.S. flag vessles was 103 percent higher than foreign flag vessles. The additional cost of using U.S. vessels to ship grain is approximately $1.20 more per bushel.

The $93.4 million cost means that 21.69 million fewer bushels of U.S. wheat were purchased for use in the P.L. 480 program. Placing this into more graphic terms, 21.69 million bushels is enough to bake almost 1.6 billion loaves of bread.

When American farmers lose markets, grain stocks accumulate driving farm income down and the cost of government farm programs up. Farmers are not the only ones who suffer. Barge operators, port employees, merchant marine crews, processing plant employees, grain elevator operators, and many others suffer when the farmer loses marketing opportunities. The USDA estimates that for every dollar of income earned at the farm, another two are generated in related economic activity. Certainly, each American has a stake in increased agricultural exports.

Through the establishment of a National Commission on Agricultural Trade and Export Policy as envisioned in S.J. Res. 319, America will develop new ideas that will correct many of these problems and increase our export competitiveness and international market share. The Commission will also make valuable recommendations in regard to streamlining current export programs and provide guidance to altering the current cumbersome and time consuming inter-agency decision making process in regard to grain exports. The Commission would have the flexibility to examine export incentives and market development programs, and to recommend ways they can be made more effective.

Related issues must be reviewed as well. These could include the manner in which our competitors sell their product, the value of the U.S. dollar and its role in international trade, new menas of assuring food to nations facing hunger and debt problems, and the best way to assist nations to develop economically so they may purchase U.S. agricultural products.

It would also be well for this Commission to review the manner in which current export programs are administered to see if specific targeting or "packaging" of programs can be made on a country-by-country or region-by-region basis.

Of particular importance will be the work of the Commission in regard to recommending new export assistance programs and how such programs should be implemented. If America and American farmers hope to maintain a strong position in international trade, and increase the market share of that trade, then they must be willing to grow with and make changes in response to international concerns.

One point which should not be overlooked is the ability of this Commission to raise public appreciation of agriculture's role in the nations economy. Individuals in and out of government need to be made aware of the diverse benefits agriculture provides to this nation, and its role as a provider of food and good will throughout the world.

Some may consider this just another government commission with loosely defined goals. But let us look at the reasons why it is different. Unlike most commissions, it will be privately funded. Those who have the most to lose through loss of export markets, and thus the most to gain through a successful commission, are those who will be providing the financial resources for its operation. Also, the Commission will be composed of individuals who are directly affected by agricultural trade and export policies. In addition, S.J. Res. 319 assures that the Commission is well balanced without undue influence from one particular sector.

If agriculture is to stay strong, and continue to grow, it must change. S.J. Res. 319 provides a structure which can provide a blueprint for this course of change. Strict reporting dates and termination of the Commission assure prompt action and that recommendations will be made. The NAWG urges that each of you provide your full support for passage of this legislation.

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NATIONAL COMMISSION ON AGRICULTURAL TRADE AND EXPORT POLICY

by the

NATIONAL CORN GROWERS ASSOCIATION

to the

COMMITTEE ON GOVERNMENTAL AFFAIRS
UNITED STATES SENATE

on

AUGUST 3, 1984

The National Corn Growers Association (NCGA) represents corn farmers in sixteen affiliated states that account for more than 90 percent of average annual corn production in the United States. Moreover, our organization has individual corn farmer members in all of the 48 continental states. We are extremely pleased to have the opportunity of presenting our views and position on the bill to create a National Commission on Agricultural Trade and Export Policy (S.J. Res. 319). We strongly endorse and support this initiative to create such a commission with a broad mandate to study our national export and trade policies; review current export programs; and to recommend new and innovative programs and policies for the future. As a matter of fact, the members of the NCGA Board of Directors believe that the creation of a nonpartisan, competent Commission to examine the whole scope and array of problems and difficulties in U.S. agricultural trade and export policies is long overdue.

We will not engage in a lengthy explanation of the importance of the export market to the nation's corn farmers; it is well known and appreciated by the members of the three committees holding these joint hearings. Rather, suffice it to say that unless one out of every three bushels of corn is moved into the export market, the profitability of corn production erodes quickly and menacingly in terms of full and efficient corn production.

United States corn farmers are committed to maintaining market-oriented farm production programs and export policies. To achieve this goal, we need to move ahead in establishing the National Commission on Agricultural Trade and Export Policy to provide the Congress, the Executive Branch and the agricultural community with a thoughtful and balanced analysis of the problems

confronting us in expanding U.S. corn and agricultural exports. But more importantly, the National Commission must be prepared to come to grips with this difficult question and be prepared to develop and provide proposed solutions and recommendations to obtain expanded export trade.

Our organization is prepared to participate in and support the work of the National Commission on Agricultural Trade and Export Policy for the reasons best expressed by Senator Bob Dole and his colleagues in the United States Senate in the introduction of S.J. Res. 413, "Joint Resolution to Amend the Agriculture and Food Act of 1981":

> Mr. President, one point on which all concerned with agricultural trade policy are agreed is that the United States is export dependent. We all recognize that a 10-or-20 percent shift in world demand for U.S. agricultural products can result in a tremendous rise or fall in the prices our farmers receive for their hard work. In formulating the legislation under which this proposed Commission would operate, Members of both the House and Senate have tried to keep this vital reality in mind, rather than assumptions about any findings the Commission may make. Those who are critical of our current export policies and structure should be the firmest supporters of the Commission's efforts. For the Commission will either come up with recommended improvements that could lead us back to a more stable and profitable export situation, or it may decide that world economic and political circumstances will prevent such improvements. In either case, it makes no sense for critics of existing farm trade and export policy to oppose a thorough review of new possibilities and options by the proposed Commission.

U.S. corn farmers and agricultural export interests face severe challenges in competing in international trade today. As a unified coalition of agricultural groups, organizations and associations wrote to Congressional leaders on June 21, 1984:

> Expanded foreign production, sold increasingly with the benefit of export subsidies, is taking over many of our traditional markets. Declining purchasing power in otherwise promising new markets inhibits U.S. ability to expand the global market. The world economic downturn and a strong dollar relative to other major currencies also stifle our ability to aggressively sell U.S. products abroad. U.S. agriculture is export dependent. A 20% drop in farm export earnings over the past two years is a major cause of today's serious economic problems faced by American agriculture. In 1980, the U.S. sold $43.8 billion in agricultural products abroad. By last year, exports had fallen to $34.7 billion. Export volumes have also fallen in similar fashion.

We would propose at this time that the National Commission be prepared to examine both structural and functional factors in the United States and the world market with a view towards developing recommendations and solutions to our problems. This is to say, our export programs and policies for basic grains and agricultural products could well be affected by U.S. Government decisions about overall U.S. import policy; by decisions of international agencies and organizations on which U.S. Government officials are members; by congressional legislation on fiscal policy; by decisions in the United States on monetary policy. Consequently, the members of the National Commission should be prepared to take a broad and significant examination of these and other structural and functional aspects of overall U.S. import and export policies, plus other issues, in developing meaningful recommendations.

We must not overlook, too, that the work of the National Commission could well be useful in considering various programs and policies in our upcoming debate on the export chapter in the 1985 Farm Bill. The "interim report" by the National Commission would be due by March 31, 1985, a date next year that will surely be marked by a spirited national agricultural and congressional debate over the thrust and mechanisms to be proposed for the next farm bill.

The "final report" due from the National Commission -- more comprehensive and far reaching -- is July 1, 1986. This "final report" should also be prepared with a view toward the distinct possibility that the major trading countries will convene another round of international negotiations on tariff and non-tariff barriers to international trade. This aspect of the work of the National Commission could be the most significant, inasmuch as U.S. negotiators in the future would have available to them a documented study of issues and problems that could well be negotiated in order to obtain a freer and more open international agricultural trading system.

We conclude by stressing three simple points: (1) the National Corn Growers Association fully supports the creation of such a National Commission; (2) the composition of the National Commission should include farmer-officials of the major commodity groups and agricultural organizations concerned with expanding U.S. agricultural exports; and, (3) the work of the National Commission should not exclude the filing of dissenting views and opinions in both the analysis and recommendations of the National Commission.

Our organization appreciates having this opportunity to express support for S.J. Res. 319 and urges you and your colleagues to move expeditiously during the remaining days of this Congress to authorize this National Commission on Agricultural Trade and Export Policy.

STATEMENT OF
THE NATIONAL COUNCIL OF FARMER COOPERATIVES
IN SUPPORT OF S.J. RES 319
BEFORE THE
SUBCOMMITTEE ON ENERGY, NUCLEAR PROLIFERATION AND GOVERNMENT PROCESSES
SENATE GOVERNMENTAL AFFAIRS COMMITTEE
AUGUST 3, 1984

The National Council of Farmer Cooperatives is pleased to lend its full support to Senate Joint Resolution 319, legislation to establish a National Commission on Agricultural Trade and Export Policy. The National Council is an association of cooperative businesses owned and controlled by farmers. It represents about 90% of the 6100 local farmer cooperatives in the nation, with a combined membership of nearly two million farmers.

Today, the economic health of the American farmer and his cooperative is inextricably tied to exports. U.S. agricultural cooperatives market almost 50% of total U.S. grain and soybean production, over 70% of milk and milk products, 35% of our fertilizer, and 25% of the nation's fruits and vegetables. They also supply a substantial amount of farm production inputs, such as on-farm fuel, seed, feed, chemicals and credit. A vast share of these farm commodities -- and therefore the resources to produce them -- is devoted to export markets.

Establishment of a privately-funded National Commission could provide a valuable opportunity to take a balanced nonpartisan look at our current agricultural trade problems, the myriad of U.S. export programs, and workable changes or policy shifts needed to boost sagging U.S. agricultural exports.

During the decade of the 1970's, the U.S. experienced an unprecedented increase in the volume and value of agricultural exports. This stimulated vast production, boosted farm prosperity, and helped create an export dependent U.S. agricultural economy. In 1982, our export boom deflated and foreign sales of U.S. agricultural commodities and processed products fell dramatically. In 1980, the U.S. exported $43.8 billion in agricultural products. By 1983, exports had dropped 21% to $34.8 billion. Export volumes fell also, from a high of 163.9 mmt in 1979 to a low of 144.8 mmt last year. While export earnings are expected to increase to about $38 billion this year, volume is projected to further decline to about 142 mmt.

The reasons for the sharp drop in farm exports have been well documented: A strong dollar relative to foreign currencies, worldwide recession, poor purchasing ability by our potential customers, foreign export subsidies that outcompete U.S. agriculture and increased foreign production.

The Administration and USDA have taken a creative approach to these export problems, using blended credit, and "export PIK" on U.S. wheat flour sales to Egypt and aggressive export credits -- yet the problems persist. Congress approved additional export credit GSM-102 guarantees in the recently-signed emergency USDA supplemental bill, but an increasing number of potential customers are reticent to increase their already precarious debt loads. In short, our present policy tools to maintain and expand agricultural exports do not sufficiently address today's unprecedented trade crisis.

A growing consensus exists among trade experts and economists that a moderate increase in our agricultural exports will occur in this decade only with substantial ingenuity and diligence from USDA, Congress, the Administration and the private sector. The Export Commission could play a major role to help determine how to best meet this challenge.

S.J. Res. 319 would establish a 35-member Commission to recommend steps to improve U.S. agricultural export trade. Twenty members of the private sector and twelve members of Congress would serve on the Commission, appointed by the House and Senate leadership. The President could also appoint three Administration officials as non-voting members.

The Congressional Commission would tap the creative ideas and solutions of the private and public sectors. It could help develop a forum for various farm organizations and farm policy experts to exchange ideas on appropriate trade policy. The Commission's work could be a major step towards development of a cohesive, coordinated response to the diverse trade problems facing different agricultural commodities.

Under S.J. Res. 319, the Commission must submit an interim report on its preliminary findings by March 31, 1985. A final report would be due July 1, 1986, and supplemental reports before then would be supplied upon request by Congress. The National Council feels strongly that the Commission must have adequate time to deliberate reasoned alternatives and formulate conclusions prior to its mandated reports. Lack of adequate preparation time resulting in less-than-thorough recommendations would be an unconscionable treatment of our serious export problem. For this reason, we urge expeditious Congressional passage of S.J. Res. 319 so that the Commission may promptly begin its work.

While numerous government Commissions have been established over the years, S.J. Res. 319 offers a creative, novel approach dictated by the dire export crisis faced by U.S. agriculture. Private sector contributions would pay the direct cost of the Commission's work, including a core staff, member travel and per diem expenses. If required, USDA must provide personnel and support needed to assist Commission work.

Balanced and equitable private sector representation on the Commission is crucial to its success. It is important that there be safeguards to preclude undue influence on Commission work from financial contributions.

In its work, the Commission will deal with many diverse problems and possible options -- some so controversial that Commission members may not be able to unanimously resolve them. To provide for a full airing of their findings and recommendations, we urge that Commission reports contain dissenting or minority views, if offered.

By itself, creation of a National Commission on Agriculture and Trade Export Policy will not necessarily resolve our export problem. Its success hinges on Commission members and the support they receive from the private sector, farm organizations, and Congress. Given our dire export problems and discouraging prospects for the immediate future, the National Council supports S.J. Res. 319 to help generate fresh ideas and provide an additional resource for trade policy decisionmakers.